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## U.S. May Deploy Part of SDI by '93, Weinberger Says

Compiled by Our Staff From Dispatches
LONDON — The United States may be able to deploy the first elements in its Strategic Defense Initiative within six years, Secretary of Defense Caspar W. Wein-

berger said Sunday.

Mr. Weinberger also said the
United States would seek to renegotiate the 1972 anti-ballistic missile treaty with the Soviet Union hington was ready to deploy elements of the SDI system, popularly known as "star wars." His statements in a television in-

terview with the British Broadcasting Corp. came soon after sources in Washington told The New York Times that the administration was likely to defer a decision on adopting an interpretation of the ABM ABM Decision 'On Hold' treaty that would allow extensive SDI testing.

Secretary of State George P.
Shultz, while reporting "very considerable progress" in developing
SDI systems, said Sunday in a Washington television interview that there was no "early deploy-ment decision in the offing."

Mr. Shultz said that, as far as early deployment was concerned, "it's not possible to make any such decision this year or next year. SDI research has yielded considerable progress, Mr. Shultz said,

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even under the "restrictive" interpretation of the ABM treat. "But it is clear enough now, given the progress that has been made, that you'd be able to pursue the

program much more effectively, and perhaps only, if a different pattern of testing is permitted," he

Mr. Weinberger said he did not know when the first phase of SDI could be deployed, but he estimated "somewhere in the 1993 to 1994

"Everybody agrees that when we're ready to deploy we would have to take advantage of the pro-



Key part of the ABM treaty.

visions of the ABM treaty, which are in the treaty itself, which call for revisions or changes or additional permissions not now in the treaty," he said.

Article 14 of the treaty states that each party may propose amend-

ments to this treaty."

On the same television program as Mr. Shultz, however, the Senate Armed Services chairman, Sam Nunn, Democrat of Georgia, said an interpretation by the adminis-tration of the ABM treaty to allowing advanced testing of SDI would be a very bad mistake." Mr. Nunn urged consultation with the U.S. allies and Congress.
(AFP, UPI, IHT)

Michael R. Gordon of The New York Times reported earlier from

Washington: The Reagen administration, under intense pressure from Congress and the Western allies, is likely to put off a decision on whether to adopt a view of the ABM treaty that would allow extensive testing of some types of space-based de-fease systems, administration offi-cials said Saturday.

"Everything is on hold until we get more information," one official said. He said the administration needed to evaluate whether an adequate testing program for spacebased systems could be conducted under the existing, strict interpretation of the treaty or whether a broader interpretation was needed.

At a meeting Tuesday at the White House, Mr. Reagan exssed interest in adopting the broad interpretation without makchange, officials said.

Reports about that meeting rompted a strong response from members of Congress and others. Mr. Num told Mr. Reagan in a letter Friday that such a move, without consultation with Con-

gress, would lead to a "constitutional confrontation." Diplomats from Western nations have also asked the administration

not to make such a decision. Mr. Shultz met Friday with Mr. Reagan and reportedly argued that a broad interpretation could trigger a backlash that would hart SDL Mr. Reagan to formally adopt such an interpretation.

A detailed account of the White House meeting was published Fri-

See SDL, Page 3



## Cease-Fire Expires in Philippines; Communists Reject New Peace Talks

Democratic Front, the political

arm of the New People's Army, which announced Saturday that the

rebels would not extend the cease-

fire or open new negotiations, had

in pursuing land reform as a rea-

tary spokesman, said intelligence

ned a government lack of faith

By Michael Richardson nal Herald Tribune MANILA -- The 60-day ceasefire between Communist guerrillas and government troops ended Sunday, but there was no immediate nption of violence.

In a statement, the rebels rejected peace talks, but government and military officials said they believed the Communist insurgent moveing an announcement about the ment was divided over whether to resume negotiations with the adson.] Colonel Ilonesto Isleta, a miliministration of President Corazon C. Aquino.

Teolisto Guingona Jr., the gov-emment's chief negotiator, said that if the rebels "spurn further negotiations, they spurn the desire for the people and many of their nbers to pursue peace."

He said the government planned to approach the Communist rank and file to try to work out new cease-fires on a regional basis. National or regional peace talks could be held even without a truce, he

[A Philippine military spokesman said regional commanders had been told to be "extra careful" after the expiration of the truce at midday, Reuters reported. Troops were on alert, the spokesman said, but

there were no orders to attack the from within the Communist Party's central military commission indi-The government unveiled a procated that there was a split between gram to distribute 9.7 million hectthose who wanted to pursue armed ares (24 million acres) of land to struggle and those advocating nemillions of farmers. The National

He said it was believed that the split was "very serious and could lead to factional fighting." Other officers, interviewed in

Manila and at Davao, in the southern Philippines, said the idea of offering regional cease-fires could viden divisions in the rebel move-

See MANILA, Page 2

# Hostage Makes Appeal To Avert Execution

#### Israel Rejects Ultimatum to Release Arabs

Compiled by Our Staff From Dispatcher BEIRUT - A U.S. hostage said in a videotape released Sunday by his kidnappers that he and three other captives would be killed Monday if Israel failed to release 400 Arab prisoners. Shimon Peres, the Israeli foreign

ninister, rejected the ultimatum. "Israel cannot and will not act according to ultimatums," he said in Jerusalem. "If someone has a suggestion, please approach Israel in an orderly way." His statement appeared to allow for the possibility of diplomatic initiatives about the Arab prisoners.

Islamic Jihad for the Liberation of Palestine has warned that it will kill the four hostages, educators at Beirut University College who were abducted on Jan. 24, unless the Arabs are released.

Mr. Peres said that a proposal on Saturday by Nabih Berri, the leader of the Shiite Moslem Amal militia. to exchange a captured Israeli Air Force navigator for the 400 Arab prisoners was not made through proper channels.

There are things that should not be conducted publicly or through the media," Mr. Peres said. Israel has indicated previously that it would not exchange jailed

guerrillas for hostages in Lebanon. The American hostage, Alann Steen, 47, made his appeal in a videotape delivered to a Western news agency in Beirut on Sunday. "If our lives are important to America, it must order Israel to

See BEIRUT, Page 2



Alann Steen, an American hostage, in videotaped message.

#### U.S. Dealt With Radicals In Iran, Israeli Told Bush

By Bob Woodward and David Hoffman

Washington Post Service WASHINGTON — An Israeli official involved in the sale of U.S. arms to Iran told Vice President George Bush last summer that "we are dealing with the most radical elements" in Iran because "we've learned they can deliver and the moderates can't," according to a

memorandum written by Mr. Bush's chief of staff. The description of the Iran effort provided by the Israeli, Amiram

Nir, contradicts the assertion by President Ronald Reagan that he was dealing with Iranian moderates in sending the weapons to Tehran. Mr. Nir was an aide to Shimon Peres when Mr. Peres was the prime minister. The memo quotes Mr. Nir as

saying that Iranian officials were trying "to squeeze as much as pos-sible" out of Israel and the United

of by

States "as long as they have assets." The allusion presumably is to the American hostages believed to be held in Lebanon by pro-Iranian extremist groups. This interpretation would undermine Mr. Reagan's repeated assertions that he was not engaged in trading for hostinger Two Americans have been released since the sales were made.

to Mr. Nir's comments was to direct that a copy of the memorandum describing the meeting with Mr. Nir be sent to Lieutenant Colonel Oliver L. North, the National Security Council aide who ran the secret Iran operation.

What Mr. Nir told Mr. Bush. according to the memo, also undermines the Israeli government's repeated claims that it played only a minor and passive role in the deal-

Mr. Nir is quoted as saying of the Israelis: "We activated the channel; we gave a front to the operation, provided a physical base, provided aircraft.

A source said Saturday that Mr. Bush recently told the special re-view board headed by John G. Tower, a former Republican senator from Texas, that one of his concerns after the Nir meeting was

See BUSH, Page 3

## Disarray at the White House

#### As Control Wanes, Reagan Has Trouble Keeping Staff

By Steven V. Roberts New York Times Service WASHINGTON - With Ron-

ald Reagan in the final two years of his presidency, his White House has started to lose the distinctive aura of confidence and control that contributed heavily to the many achievements of his first six years in office, according to White House insiders and Reagan supporters This sharp shift in the White

#### LATE NEWS **Canadian Freed**

**By Iranians** TEHRAN (AFP) - Philip Engs, a Canadian engineer ar-rested here in December, was released Sunday, Western dip-

lomats announced. Mr. Engs, employed by the Schlumberger oil exploration group, was arrested when he arrived in Iran.

INSIDE TODAY



British investors have a Third Market, for small companies. Personal Investing, Pages 9-12.

GENERAL NEWS ■ Integration in the U.S. rose in the 1970s as more blacks moved

BUSINESS/FINANCE Britain appears set to offer financial support for new Air-

House mood has already eroded the president's ability to retain and recruit top-flight talent in his per-sonal staff operation, the officials say. And it is threatening to under-mine Mr. Reagan's ability to prepare and promote a legislative program that has already been significantly reduced in scope.

The disarray, the officials agree. has been caused by a series of setbacks that compound one another. from the Democratic triumph in the November elections to the draining distractions of the Iran arms affair and the health of Mr. Reagan, who had prostate surgery

In addition, many Republicans voice doubt about their party's ability to keep the White House, or recapture the Senate, in 1988.

There is no question that there

is some concern, said a senior White House aide, who, like many others, spoke on condition of ano-

others, spoke on common or anonymity. "We really need to re-energize the Reagan presidency."

Another high White House official added: "If I had to pick a single word to describe things around here it would probably be 'passiv-

A former White House staff member who remains close to the operation said: "I feel let down, and I don't think I'm alone. One of the things that attracted us to Reagan was that he restored our sense of pride, of confidence, of viability. Every single bit of that is in the

process of being lost." Marlin Fitzwater, the president's new spokesman, acknowledged that the White House seemed to be on a "plateau." But he added, "The impression of forward motion within the administration will be

evident very soon."

He said the current sense of White House lethargy resulted from "the time it takes for the president to recuperate from his operation, and for the Iran investigation to get started."
"The president is eager to en-

gage," Mr. Fitzwater added, "and the president's staff is preparing an aggressive program for the spring."
To others close to the Reagan presidency, the problems in the White House are more profound, and as evidence they point to the steady exodus of experienced peo-ple from important staff positions. In recent days two of Mr. Reagan's

top advisers have announced their departures: Mitchell E. Daniels Jr., his assistant for political affairs, and Patrick J. Buchanan, the director of communications. Mr. Fitzwater himself replaced

Larry Speakes, who left Feb. 1 for a Wall Street job. It was learned last week that Thomas C. Dawson, the top aide to Donald T. Regan, the chief of staff, would be nominated as ambassador to Costa Rica.

has started exploring outside op-Rumors were flying so fast last week that James C. Miller III, the

recruitment will be no problem. "I really think," he said, "that a tremendous number of people out there really would give up every-thing in a second and work for the president of the United States, particularly this president. It's an opportunity to be a part of history. But others say recruitment is al-

ready a problem, noting that no

See REAGAN, Page 3

MOSCOW - A Chinese delega-

tion arrived Sunday in the Soviet

Union for the first talks in nine

years on a border dispute between

The Tass press agency said the

delegation, headed by Qian Qi-

chen, a deputy foreign minister, was met by the head of the Soviet

negotiating team, Igor Rogachev,

The talks, to begin Monday, cen-

ter on waterways and islands along

the Ussuri and Amur rivers divid-

ing northeastern China and Soviet

The talks will be watched as a

gange of success of recent Soviet

also a deputy foreign minister.

the two countries.

SEOUL PROTEST — Lee Min Woo, second from right, the 71-year-old president of the New Korea Dem-

Alfred H. Kingon, another aide to the chief of staff, is also becom-**Europe Again Worries** ing an ambassador, and a third Regan assistant, David L. Chew.

Chinese Arrive in Moscow

To Reopen Border Talks

budget director, had the White House announce that he was not, in fact, leaving his post. Officials disagree over what will happen to the White House in the months ahead. Mr. Buchanan says

U.S. Might Cut Troops PARIS — The possibility that the United States will remove some

of its troops from Europe, a possi-bility that has periodically rolled the Western alliance, is again starting to concern European leaders, officials and strategists say. Manfred Worner, the defense minister of West Germany, acknowledged at a defense symposium in Munich a week ago that he was "preoccupied with the risk of a partial U.S. drawdown" of troops

from NATO. Mr. Wörner's concern reflected

efforts to improve relations with

border question.

developments in the United States, where some strategists are calling for troop cuts at a time of increasingly rancorous debates over defense spending, protectionism and trade balances.

European officials have privately expressed concern that the new Democratic-controlled Congress. alarmed by the U.S. budget delicit, might seize on troop cuts in Europe as a means of making quick trims in defense spending at a time when the Reagan administration, weakened by the Iranian arms sales affair, could not block such a move. "We are potentially in a situation

harder to defeat than ever before," said John C. Cartwright, the defense spokesman for the alliance of Liberals and Social Democrats in The possibility of U.S. troop cuts has arisen and receded so often that the topic has come to be widely regarded as a routine refrain in

where a bid to pull troops would be

striking coincidence that two pres-Mikhail S. Gorbachev set the tigious European newspapers, on the same day last week, reported a stage for the resumption of talks in shift of thinking in Europe. a speech in July in Vladivostok. He The Frankfurter Allgemeine Zeicalled for an end to the antagonism between the Soviet Union and Chitung in West Germany and Le Monde in France said that West na and indicated the Kremlin was German officials no longer rule out ready to discuss its position on the possible U.S. cutbacks — for example, a phased withdrawal of China and the Soviet Union have

100,000 troops along lines advocat-

ed by Zhigniew Brzezinski, the na-

tional security adviser to President

alliance discussions. So it was a

disputed the border since the early 1960s, with fighting along the Us-suri and Amur rivers in 1969. Jimmy Carter. Mr. Brzezinski, in congressional hearings last month, called for this Negotiations on the border opened in 1969 and continued with redeployment so U.S. troops could several breaks until 1978, but withbe more quickly sent to Central



ocratic Party, and his supporters are stopped by police

as they march to a government anti-torture rally. Page 2.

Manfred Wörner

America, the Middle East or the Pacific.

Officials in Bonn are particularly alarmed because 250,000 of the approximately 325,000 U.S. ground troops in Europe are stationed in West Germany, which is the central front between the forces of the Warsaw Pact and the North Atlantic Treaty Organization.

But, according to officials and strategists interviewed last week in Britain, France and West Germanv. the new concern is shared by all European countries. "A wave of apprehension has

swept into Europe about the U.S. troops, even though there is no specific political development to warrant it," said an aide to Lord Carrington, the secretary-general of NATO. The aide added: "Feelings of unreliability all around are feeding the concern "

The response to this apprehension, while still unformulated, is See TROOPS, Page 3

## Zaire in the AIDS Fight: Silence Ends, Tests Start

New York Times Service
KINSHASA, Zaire — At the

AIDS project in Mama Yemo Hospital here, Zairian technicians hunch over computers, tracking the health histories of thousands of local victims of the disease.

In homes across Kinshasa, television screens lighted up recently with graphic images from a public health special produced by the National Committee to Combat In pioneering research here,

about 12 Zairian and European carriers of the AIDS virus are undergoing the first human tests of a potential AIDS vaccine.

At the Ministry of Public Health. officials speak openly of a project to use American and West German technical skills to screen Kinshasa's blood banks for blood contaminated by the AIDS virus. Zaire, long one of Africa's most

secretive countries about acquired immune deficiency syndrome, is beginning to treat the disease like any other public health menace. According to surveys, 5 percent to 8 percent of Kinshasa's adult population, or at least 100,000 people, are infected with the AIDS virus. More than 25 percent of the city's prostitutes have the virus. At

Mama Yemo, about 15 new AIDS cases are detected each day. "We are facing a grave and serious problem, and we should look at it in a cold and serious way," said Dт. Ngandu Kabeya, Zaire's public

health commissioner. Mr. Ngandu underlined Zaire's new attitude toward AIDS when he

make a rare visit to the AIDS research project at Mama Yemo, considered the largest such project

in Africa. Called Project SIDA, after the French acronym for AIDS, the project employs about 15 doctors — a mix of Zairians. Americans and Europeans - and 15 Zairian techmicians. The research, which start-

'We are facing a grave and serious problem, and we should look at it in a cold and serious way.

— Dr. Ngandu Kabeya, Zaire's public health commissioner

ed in 1984, is largely financed by U.S. sources, the national Centers for Disease Control and the Na-

tional Institutes of Health AIDS is an incurable disease that cripples the immune system, leaving the victim susceptible to some infections and cancers. It is caused by a virus that spreads through sexual intercourse or exchanges of blood, as in shared hypodermic needles.

In the United States, most of the See AIDS, Page 2

# Reluctantly, West German Brings Longevity to News Talk Show

.By James M. Markham New York Times Service

COLOGNE - if Werner Holer had had his way, he would never have become the most famous television personality in West Germa-

-As a young radio journalist 35 years ago, he put together a Sunday news talk show in Bonn in which four foreign correspondents and one German journalist discussed a topic of the moment.

From the outset, "Der Internationale Frühschoppen" — in the Rhineland the word means a prelunch glass of wine --- was a success and even drew kind words from zerland are included. Konrad Adenauer, the flinty chanwas invited to have his program broadcast live on television from a Düsseldorf exposition.

Although a helicopter clattered overhead and bored camera operators panned onto the Rhine for visual variety, the director of West Germany's first channel embraced Mr. Hofer after the show, pro-claiming: "Today a television star

By Gary Lee
Washington Past Service
MOSCOW — In the largest re-

lease of Soviet political prisoners in

30 years, 43 dissidents have been

freed from labor camps, prison or exile in the Soviet Union, accord-

preme Soviet, has occurred over the

ast week, Mr. Sakharov said by

his list was compiled largely from

individuals who had called him and

persons whose cases Mr. Sakharov

had adopted in his struggle on be-

half of Soviet political prisoners.

ical prisoners in Soviet prisons or camps. The Soviet leader, Mikhail

S. Gorbachev, told a French Com-

munist newspaper last year that

there were "about 200" people imprisoned for crimes against the

state, at least some of whom are

believed to be prisoners of con-

The releases come as Mr. Gorba-

On Saturday, the government pub- its.

lished a draft law giving Soviet

decision-making and investments.

leased prisoners were included in a letter Mr. Sakharov, a dissident

physicist, sent to Mr. Gorbachev in

January 1986. Others were includ-

ed in publicized pleas Mr. Sakha-

rov has made to Soviet leaders

since his own release from exile in

Those freed included Kirill Po-

pov. a human rights activist sen-

tenced for disseminating human

rights information; Sergei Grigor-yants, a Moscow literary critic

charged with anti-Soviet activity

related to his work on an under-

ground human rights bulletin; and

Yuri Shikhanovich, a dissident

mathematician and an editor of the

underground journal Chronicle of

Zelichonok, a Leningrad Jew sen-tenced for seeking Western assis-

tance to emigrate, and Zoran Popa-dyuk, Danilo Shumuk and Iosif

Terelya, sentenced for human

rights or religious activism in the

Yelena G. Bonner, Mr. Sakhar-

ov's wife, said most of those re-

leased appeared to come from la-

bor camps in the Perm region of the

were each given a document by

camp or prison authorities saying

that they had been granted free-

dom by a special decree of the Su-

preme Soviet, the Soviet Union's

ighest legislative body. The status of Sergei Khodoro-

She said the released prisoners

The group also included Roald

Current Events.

Ukraine.

Ural Mountains.

Some of the names of the re-

shchev in the 1950s.

thus may be incomplete.

ephone Saturday. He said that

Among those freed were several

According to unofficial esti-

mates, there are at least 1,000 polit-mill or factory.

The release appears to be the ference of collective members. Di-largest of its kind since millions of rectors' terms are for five years,

persons imprisoned during Stalin's and subordinate managers serve era were freed by Nikita S. Khru- for two or three years.

chev continues his campaign for costs for production from a fund openness and economic reforms. created by the collective from prof-

ng to Andrei D. Sakharov. The release, granted by a Feb. 2 decree of the Presidium of the Su-

At Least 43 Dissidents

Are Released by Soviet

"But I reacted as a typical Ger- United States, Britain and France, ornate questions with brisk inter- out even checking with the embas- wire barrier "even though we knew man," Mr. Höfer recelled, relaxing knowing that their views would be ruptions but manages to put even sy, or if they can't come they give that might be the beginning of bits modernistic glass-walled resi- of interest to Germans emerging his most tongue-ried guests at ease, real excuses." in his modernistic glass-walled rear- of interest to Germans emerging dence by the Rhine. "Typical Ger-man. I said it was a radio program Mr. Höfer argues that it and that it has nothing to do with action, and movement."

His objections were swept away. Today, at the age of 74, Mr. Hofer is still host to what is probably the longest-running live talk show in the history of television — a program that draws about five million West German viewers every Sunday and at least three times that if its radio audience and television

The program's format is rooted cellor. On Aug. 8, 1953, Mr. Höfer in the Germans' postwar anxieties and self-consciousness that have not altogether vanished over the years. It is difficult, for example, to imagine that millions of Britons, strong in a nation that has many Frenchmen or Americans would loyally tune in to hear a handful of

oners who Mr. Sakharov men-

tioned in a written plea to Mr.

Gorbachev for amnesty last year.

A Jewish human rights activist.

Iosif Begun, and a Christian activist, Alexander Ogorodnikov, are

among the prominent Soviets still

imprisoned.

The new draft law applying to

Soviet work collectives, if adopted in its present form, would represent

a rare relaxation of the Soviet

Union's rigidly centralized indus-

The Soviet press agency Tass

said that under the new law, work

collectives would be "full-fledged

masters of their enterprises and will

independently decide practically all matters related to the produc-

tion and social development of a

ed for nationwide comment. Tass

The draft law has been distribut-

It established the following

• The director of the collective

rough guidelines for the function-ing of the cooperatives:

and all other managers would be

elected at a general meeting or con-

The collectives would pay sala-

ries and research and development

Soviet enterprises would be al-

companies from capitalist and de-

veloping countries to create joint

The law should also give

group of private citizens the right

to start and manage a factory or

riot police used tear gas to disnerse

thousands of anti-government pro-

Demonstrations occurred Satur-

day in at least three other major

South Korean cities, Pusan, Taegu and Kwangju. Dissidents said the

rallies were intended as nonviolent

memorials for Park Jong Chol, a

21-year-old student who died last

month after what the government

has acknowledged was torture by

the police.

The government had banned

Saturday's railies, charging that

they were meant to create social

unrest and eventually to overthrow

The relative ease with which the

police broke up the memorials un-

derlines that the government re-mains firmly in charge when the

fight with its opponents goes to the

leader of the opposition party,

called the day's events a victory for

Action in Seoul on Saturday cen-

tered on a prosperous shopping

dong Cathedral, seat of the archdi

ocese for South Korea's two mil-

Rows of riot police in helmets

Despite threats of arrest, closure

stops, and other efforts at discour-

agement, crowds of protesters

turned up at intersections and side-

walks around the cathedral to try to

The police officially put the

Following the rally, scores of po-

of dozens of dissident leaders to

prevent them from leading the ral-lies withdrew.

But Kim Dae Jung, an unofficial

the government

lion Catholics.

gain entry.

enterprises and encourage technol-

ogy transfer.

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testers.

trial economy.

Mr. Höfer argues that it is not so much a "damaged self-confidence" television, which is about pictures, that keeps Germans watching between noon and 12:45 as it is curiosity about the world that runs

his most tongue-tied guests at ease, real excuses.

Mr. Höfer bemoans the low quality of German spoken by most rive with clippings from Pravda or wine on the table encourage lively American correspondents here and lists of points they hope to make and sometimes fractious discus-American correspondents here and has less than a dozen American during the program. They are usuregulars on his show. He gives the ally outshone in spontaneity by highest linguistic marks to Soviet Hungarian and Polish correspon-

It is difficult to imagine that millions of Britons, Frenchmen or Americans would

journalists, who started accepting and a respectable \$450 fee usually

The Soviet participants often ardents, who were the first Communist iournalists to break into the Frühschoppen ranks.

The most constricuous absentees are journalists from official Chinese publications and from East Germany, where the program is very popular.

A newspaper addict, Mr. Höler week's most compelling intervathat comes with being on the show guarantee a low refusal rate.

On a Saturday night in 1961, the construction of the Berlin Wall dic-

. The open-ended format and sion. At the time of the Indian invasion of Goa in 1962, an Indian journalist tried to assault a Goanese participant, earning him the nickname of the "Gos constrictor." Yet during the 1967 Middle East war, an Arab and an Israeli shook hands at the end of the program.

Since Frühschoppen became a television show, Mr. Höfer has never missed a Sunday, although once in 1976, stranded on the North Sea pegs each program's theme to the island of Sylt, he moderated the program by telephone. When he tional development. This some-times involves switching gears at the last moment, but the renown gave up the idea. After 35 years, does he think of retiring and giving up Frühschoppen?

"When the wine glass shakes in my hand or when I can't remember the things that I want to say or the names of the guests," he answered. He pointed at the ceiling, adding, "But this depends on a higher au-

#### **WORLD BRIEFS**

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REAGAN: W

(Continued from Page 1)

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Punjab Party Official Quits in India

CHANDIGARH, India (UPI) - Harbans Singh Ghumam, vice pines: dent of the governing Akali Dal party in Punjah state, resigned Smilley, but Chief Minister Smilt Singh Barnala said he would not disband the party, as ordered by Sikh high priests.

"I have neither resigned from the chief ministership nor dissolved the

Akali Dal," Mr. Barnala said, denying reports he had agreed to the priests demands. "There is no question of surrendering."

The officers of the Akali Dal and those of rival splinter groups were.

ordered last week by the priests to resign their posts and disband their organizations so they could be remitted in a new religious party.

Paris to Send More Troops to Chad

NDJAMENA, Chad (AFP) — France has begun redeploying its burds in Chad, with 1,000 more men expected to be brought in over the mark few

days, sources said here Sunday.

The reinforcements will bring to about 2,500 the total number of French soldiers helping defend the government of Hissène Habré from Libyan and rebel forces fighting in the north of the country, the sources

The French Defense Ministry announced Friday that it was redeploy-ing part of its "deterrent" force previously limited to the area-argued Ndjamena to two positions in eastern Chad nearer the 16th parallel

2 Cosmonauts Enter Space Station

MOSCOW (Renters) — The Soyuz TM-2 spacecraft docked with the orbiting space station Mir early Sunday and its two-man crew station preparing for what Western experts expect to be a record stay in space.

Radio Moscow said the TM-2, launched early Friday, performed what
was called an unprecedented automatic docking procedure involving:

several U-turns to reduce speed. weral U-turns to reduce speed.

The radio said Commander Yuri Romanenko and his flight eagineer.

#### Alexander Laveikin, would spend several months in Spanish Conservatives Elect Leader

MADRID (NYT) - Spain's main conservative opposition party has selected a young and little known provincial leader to attempt to overcome the party's internal divisions and lagging fortunes.

In an emergency congress, the party, the Popular Coalition, over-whelmingly elected Antonio Her-nández Mancha, 35, as its president to succeed Manuel Fraga Imbarne,

who stepped down in December. Mr. Hernández Mancha is president of the party in the southern region of Andalucia and has had little national political experience. But for many party members, he represents the rejuvenation they say the party needs to challenge the dominance of the center-left Socialist Party of Prime Minister Fe-



Rebels Kill 28 in Sri Lanka Village

COLOMBO, Sri Lanka (AFP) — Tamil separatist guerrillas killed 28. Sinhalese villagers in an attack Saturday night on a village in eastern Sri Lanka, a government spokesman said Sunday.

The state-run radio said the security forces intercepted a separatist

The state-run radio said the security forces intercepted a separatist radio message that said the attack, the second on a Sinhalese village in the area in three days, had been personally ordered by the leader of the Liberation Tigers of Tamil Eelam, the main Tamil militant group.

A government spokesman said that Tamil guerrillas invaded the village, of Aranthalawa late Saturday night while the villagers were sleeping and slit the throats of 28 people, including 10 children, bringing the death toll in the two attacks to 43.

#### For the Record

The ex-wife of one of Europe's richest men, Baron Hans Heinrich! Thysten-Bornemisza, is being held in Vaduz, Liechtenstein, at the request. of the Swiss authorities, police said. The Vaduz police chief, Gerald Batliner, said Baroness Denise von Thyssen was taken into custody Friday, but declined to provide details.

Israeli police filed criminal charges Sunday in Jerusalem against four leftist Israelis for meeting with representatives of the Palestine Liberation Organization in Romania in November.

#### Correction

A United Press International dispatch in Thursday's editions reported incorrectly that a default judgment had been overturned in a libel sait by a California businessman against a Soviet newspaper and two Soviet export companies. A federal judge in California released on technical grounds Soviet funds that had been frozen by a previous court order.

#### Fans and Foes of Bull Killing in Ring Take Battle to Portugal's Parliament

LISBON - Proponents and foes of killing buils in arenes are preparing for a parliamentary battle Monday, when debate opens on

two opposing bills on the sport of bullfighting.

Antonio Maria Pereira, a government deputy and president of the Lisbon chapter of the International League for Animal Rights, said that the ruling Social Democratic Party would offer a bill on animal rights that incorporates the ban imposed 58 years ago on killing bulls

A dissident Social Democratic deputy, João Malato Correia, backed by a number of opposition deputies, has offered a bill that would allow bullfighters to kill bulls in the ring, as do bullfighters in

Mr. Correia, from Ribetejo, Portugal's most famous bull-breeding

ground. The animal, usually wounded by spear thrusts, is later killed in a slaughterhouse.

#### DOONESBURY







#### loyally tune in to hear a handful of viewers in East Germany and Switforeigners, sometimes mangling the language, talk about the world.

neighbors and lives from exports.

Palestinians at the Iranian Embassy in Beirut call for an end to the siege of the camps.

for a fatwa, or special religious an end to the suffering in Leba-law permitting them to eat hu-man flesh. an end to the suffering in Leba-non's campa, Reuters reported from Paris. The French govern-

Dispensation Sought to Eat Flesh

The message said they had asked for a law "authorizing be-

sieged Palestinians to eat, for their own survival, the flesh of

those who no longer had the

there are no cats or dogs left," it

A Shiite religious leader on

starving Palestinians. Sheikh

Mohammed Mehdi Shamseddin,

deputy chairman of the Shiite

high council, said the request for

such authorization was "demo-

gogic and intended to provoke

[France appealed Saturday for

certain Lebanese parties.

"We have no alternative as

strength to live."

his invitations five years ago.
"Before, they used to give the

foreigners, sometimes mangling the language, talk about the world.

In the early years, Mr. Höfer flounder on the complexities of the ritually included journalists from the three "victorious powers," the language, who mixes floridly included by Mr. Höfer, who mixes floridly included along by Mr. Höfer, who mixes floridly included by Mr. Höfer recalled, the participation of the Berlin Wall distance they had to go to their daughter's baptisms," he said, lifting his trademant by Mr. Höfer recalled, the participation of the Berlin Wall distance they had to go to their daughter's baptisms, he said, lifting his trademant by Mr. Höfer recalled, the participation of the Berlin Wall distance they had to go to their daughter's baptisms, he said, lifting his trademant by baptisms, and they had to go to their daughter's baptisms, he said, lifting his trademant by baptisms, and they had to go to their daughter's baptisms, he said, lifting his trademant by baptisms, and they had to go to their daughter's baptisms, and they had to go to their daughter's baptisms, he said, lifting his trademant by baptisms, and they had to go to their daughter's baptisms, and they had to go to their daughter's baptisms, and they had to go to their daughter's baptisms, and they had to go to their daughter's baptisms, and they had to go to their daughter's baptisms, and they had to go to their daughter's baptisms, and they had to go to their daughter's baptisms, and th

## **Medical Team** Held in Africa Goes to Paris

PARIS - Ten French medical workers, held hostage for nearly two weeks by Somali rebels before being released, have returned to

The six women and four men from Doctors Without Borders, a humanitarian organization, were turned over to French officials in Addis Ababa, Ethiopia, on Saturday afternoon, then flown on a French military aircraft to Orly airport south of Paris.

An unidentified Diibouti citizen also was released with the French men and women in Addis Ababa. Assesa Woede, head of the Euro-

pean desk in the Ethiopian Ministry of Foreign Affairs, said his government had arranged the release of the hostages "through peaceful dialogue in line with the longstanding friendly relations that existed between Ethiopia and France."

He would not say where the hostages were held or give details about their release.

The freed hostages, smiling and looking healthy, said before leaving Addis Ababa that they did not know where they were held — whether it was Somalia or Ethiopia - but said they had been treated

The 10 medical workers were kidnapped Jan. 23 from the Tug Wajale refugee camp in northern

■ 2 Italians Arrive Home Two Italian technicians, held for nearly six weeks by an Ethiopian guerrilla group opposed to the gov-ernment of Lieutenant Colonel Mengistu Haile Mariam, arrived

home Saturday, United Press Inter-national reported from Rome.

#### BEIRUT: U.S. Hostage Appeals to Avert Executions **Seoul Police** (Confirmed from Page 1) zation, asserted earlier Sunday that the Americans" and said that the Arrest 740 Terry Waite, the Anglican Church United States was seeking support from Britain and France for the

BEIRUT — The 20,000 Pales-

tinian refugees trapped and re-

portedly starving at the besieged camp of Burj al-Brajneh south of

here have asked their religious

leaders for special dispensation

to eat human flesh, according to

The camp has been under

siege for more than 10 weeks by

militiamen of the Shiite Moslem

Amal movement, who have been fighting Palestinian guerrillas.

Escaped refugees have reported

dire conditions, with little food,

no electricity and little shelter

from shelling.
The camp's ruling committee

sent a message to a Western news

agency here saying it had asked Sunni and Shiite Moslem leaders

camp spokesmen.

release the 400 Palestinians as soon as possible - that is, Monday as a In Protests imam," he said. "We also tell America that if it

By John Burgess
Washington Post Service
SEOUL — Police said Sunday commits any stupidity, we will be prone to be killed," he said. "Besides, Americans in the whole world will be the victim of our that they were questioning 740 peoadministration's stupidity.' ple arrested in Seoul in three hours The other kidnapped educators are Robert Polhill, 53; Jesse of street confrontations in which

Turner, 39; and Mithileshwar Singh, 60, a visiting professor of finance. Mr. Singh is a native of India who holds resident alien status in the United States. Despite the immediate Israeli re-

jection of the demand, there are precedents for large-scale release of prisoners. Six Israeli soldiers were traded for 291 Syrian prisoners of war in a July 1984 exchange of combatants captured during the 1982 Israeli invasion of Lebanon. Israel also released 20 Syrian civilian prisoners at the same time. In May 1985, Israel exchanged

1,150 Arab prisoners for three Isracli soldiers held by the radical Popular Front for the Liberation of Palestine-General Command.

Trans World Airlines jet a month later, Israel eventually released more than 700 Lebanese detainees. nization accused the predominant-ly Christian command of the Leba-Another extremist group holding other U.S. and French hostages, the Revolutionary Justice Organi-nese Army of "collaborating with

envoy, has been used to find suspected terrorist bideouts for a U.S. nilitary attack on Lebanon. The pro-Iranian group said in a

statement that the targets for at-tack had been pinpointed by a "sig-nal-sending wireless detector fitted on Waite's body." Although reports on two Beirut radio stations Saturday said that

Mr. Waite had been released, he remained missing Sunday. The Revolutionary Justice Orga-

nization statement, delivered to the independent Beirut newspaper An-Nahar, was accompanied by a Polaroid photograph of Edward A. Tracy, 56. The group claimed his abduction Oct. 21. The statement charged that the

United States planned air and sea landings in two residential districts of West Beirut to seize prominent leaders of the pro-Iranian Hezbollah, or Party of God, and exchange them for foreign hostages.

The communique did not elaborate on Mr. Waite's role in the

alleged plan nor did it identify the group that has held the envoy since When militant Lebanese Shiites he disappeared in Beirut on Jan. 20. hijacked 40 Americans aboard a Mr. Berri said Saturday, without elaborating, that he expected Mr. Waite to be released shortly. The Revolutionary Justice Orga-

operation. On BBC television Sunday, Caspar W. Weinberger, the U.S. de-

ment, which has not ceased calling for an end to fighting in Leb-

anon, expresses its anguish at the

inhuman fate inflicted on refu-

gees," the Foreign Ministry said

spokesman for the Palestine Lib-

eration Organization at the Unit-

ed Nations confirmed that a

Brainen camp had sought au-

One Palestinian died at the

camp Thursday when a group

trying to pick fruit from an or-chard came under mortar and

tank fire. Two more were wound-

ed and another three captured.

thority to eat human flesh.]

The appeal was issued after a

n a statement

fense secretary, denied that the United States was planning a mili-tary strike to aid hostages held in Lebanon. The United States has a large naval battle group in the eastern Mediterranean. (AP, Reuters)

#### ■ Israel Seizes Ship

Jonathan C. Randol of The Washington Post reported from Jerusaconfidence in the civilian govern-

An Israeli warship has intercepted a coastal ship and Israel said that its 50 unarmed passengers were Palestinian guerrillas bound from Cyprus to Lebanon with Admiral Avraham Ben Shoshan,

the Israeli Navy commander, said on Israeli radio Saturday that the 600-ton ship Maria R, flying a Honduran flag, was detained Friday as it was about to land at Khalde, south of Beirnt. The ship was taken to an undis-

closed Israeli port, where the pas- armed forces, to work for a genuine sengers and Egyptian crew were being questioned, he said. The admiral said the Palestinians belonged to the mainstream Fatah

faction of the Palestine Liberation Organization and were part of an increasing effort to send guerrillas back to Lebanon from Cyprus.

#### MANILA: Cease-Fire Expires

#### (Continued from Page 1) ment and cause defections to the

government side.

They said it would be part of a counterinsurgency strategy includ-

ing offers of amnesty, land and other assistance to Communist supporters who surrendered. Some foreign and Filipino analysts said, however, that they bebeved the military was exaggerating differences within the

Communist movement to instill

ment and the public. In a statement Saturday, the three chief Communist negotiators blamed the government for the breakdown in the talks, which were suspended Jan. 23.

The statement, which the Communist negotiators called an open letter to the Filipino people, said they would return to the negotiating table only on four conditions. The Aquino government, they

said, would have to show its determination to institute basic change, to control and reorient "the fascist" settlement of the insurgency and to recognize the National Democratic Front as a political entity.

Government officials said the administration was standing firm in its insistence that any negotiations must take place within the framework of the constitution.

#### (Continued from Page 1)

victims have been homosexual men or intravenous drug users, and the sexual partners of people in these two groups. Four percent of the cases have been attributed to viruses spread through heterosexual in-

AIDS is believed to be epidemic in many African countries, particularly in central Africa, and is believed to be spread predominantly by heterosexual transmission here. "What we can do here that we can't do in the U.S. is follow thou-

Robert W. Ryder, the American project. In addition to having access to a wide population of AIDS victims, By studying a large sample of

ed States.

AIDS virus but not the disease.

to come down with the disease.

passed from mother to baby.

The study groups are in three the research began last fall and that start a screening program for all categories: AIDS carriers, AIDS he hoped to announce preliminary blood donations in Kinshasa, and carriers who are pregnant, and results at the Third International West German workers would mod-

on humans of a potential AIDS The Vatican newspaper L'Osser-

He said that the current phase of American health workers would

vatore Romano branded as absurd The study group is composed of on Sunday the practice of distributlittle syphilis or a little gonorrhea about 12 healthy carriers of the ing free condoms in an effort to AIDS virus, both men and women, halt the spread of AIDS, and arged The potential vaccine is designed to an end to homosexuality to control prevent them from falling ill with the disease. United Press International reported from Rome.

#### AIDS: In Study in Zaire, Computer Tracks Thousands of Victims of Disease prohibitively expensive in the Unit- hope to learn how the disease is . In addition to sex and contami-

Dr. Ryder said wages here were low enough to permit the tracking of thousands, a task that would be pregnant women, the researchers

sands of AIDS victims," said Dr.

Drawing largely on the patient population that passes through the we hope to show that a man who is by contaminated blood transfu-2,000-bed hospital, Dr. Ryder's positive and a woman who is nega- sions, often to children who are team is compiling study samples of tive can use a condom and avoid anemic because they have majaria. hundreds of people who have the contamination," Dr. Ryder said. Under a program in negotiation.

"discordant" partners, couples in Conference on AIDS, scheduled to emize storage at the blood banks. which one partner has AIDS and be held in Washington in June. If approved, the program could The team hopes to detect the risk earlier, French and Zairian scienfactors that cause a healthy carrier tists are conducting the first tests 

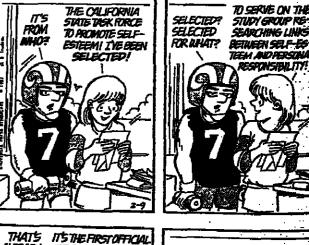
Vatican on Condom Use

"According to some theories, a

nated needles, a major way that "With the discordant partners, AIDS has been transmitted here is

graphia street the second by mongather by White He Vac Reitan mine dement in the demand of the region, contended that half a million Portuguese go to Spain to watch this type of bull fighting each year. Legalizing the killing of bulls, he Fried offe tiffe malebadige . contended, would be good for tourism.

The emphasis in Portuguese bullfighting is on horsemanship. The event ends when a group of men called forcadas wrestles the bull to the mis police of courts of the specification of the state Elither to bend En her also record that of the shirt on their as decimal of the le the best of the second of the Mark properties and a contraction of the the Read American TO SERVE ON THE Part of the state of the file general countries that the All Bridge and the state of the





vich, Anatoly Koryagin, Genrikh O. Altunyan and Valery Senderov is still unclear, Mrs. Bonner said. They have been promised freedom. Mr. Shikhanovich, Mr. Khodorovich and Mr. Koryagin were pris-Spanish Businessman

> nization ETA UNIVERSITY **DEGREE**

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eco N. Sepulvedo Bivd., Los Angeles, Californio 90049, Dept. 21, U.S.A.

Freed by Separatists United Press International EIBAR, Spain --- A businessman kidnapped two months ago by and office district around Myong Basque separatists was found chained to a tree but in good physical condition after an anonymous caller contacted police.

The authorities said Jaime Ca. and latigues sealed off the cathebailero, 44, the owner of a paper dral. In general, they allowed only factory, was found Saturday near priests and nuns to pass through the town of Eibar, 215 miles (345 the lines to attend a memorial Mass kilometers) north of Madrid. He inside. said he had been treated well by his captors, the Basque separatist orga- of nearby subway stations and bus

number of protesters at 2,000, while dissidents put their numbers SACHELORS . MASTER'S . DOCTORATE in the tens of thousands. About 5.000 riot police were arrayed against the protesters.

lice who had surrounded the homes

## **AMERICAN TOPICS**

An Operating Manual | driven by a man of about the For Congressmen A spiral-bound handbook of

advice for new congressmen tells how to attain high visibility at high risk (joust with the press, introduce major bills indently). low visibility at high risk (maneuvers within the party, unauthorized disclosures to the press), high visibility at low risk (work at securing high committee posts and other leadership positions) and low visibility at low risk (settle for lesser committee posts, introduce amendments instead of independent bills).

The book, "Setting Course: A Congressional Management Guide," is published by the American University Center for Congressional and Presidential Studies and the Congressional Management Foundation. First printed in 1984, its new edition went to all 435 members of the House of Representatives, The New York Times reports. It is based on interviews with scores of congressmen, both veteran and first term, and their staffs.

The handbook warns the congressional neophyte that managing his own office is "the road to disaster" and that the job should be left to administrative assistants. It further advises against hiring all those who worked on the election campaign and bringing them to Washington: "Their skills are not necessarily transferable to the Hill office, and this usually results in massive turnover after the first 90 days."

#### **Short Takes**

A man in Hastings, Michigan, was acquitted of negligent homicide in the deaths of two crash' victims because they were not wearing seat belts, in violation of state law. "There's no question he caused the accident, said Jim Fisher, the lawyer for the motorist, Jeffrey Smith. "Our argument is that death would not have resulted had they been following the law."

"Of course they're useful. Phyllis Cerf Wagner, a New York advertising executive, says of computers, "For example, I have my entire personal telephone book on it. But it goes beyond that: they're taking the place in our emotions that cars used to have. People who have computers at home talk and feel about them the way they used to talk and feel

Neck braces can be decorative and disductive, says Dr. J. DeWitt Fox of Los Angeles. At a convention of orthopedic surseons in San Francisco, he dislayed neck braces decorated with silks, furs and feathers. He imitation mink set off with

York Times reader, spotted a hand-lettered sign in the rear window of a battered old car

age to have two offspring in college: "Columbia + Harvard = \$33,100."

## **Notes About People**

After Elliot Richardson's Washington law firm accepted the Marxist government of Angola as a client, rightists staged a protest in front of the firm's office and several wrote Mr. Richardson to express their displeasure. His reply to one such letter: "As a twice-wounded soldier who has been appointed by four presidents to nine positions of trust and responsibility, I would have thought it obvious that any service I might render to another country must also be consistent with the interests of my own. Your assumption to the contrary is insulting and contemptible."

Larry Speakes, who has left the White House for the Wall Street investment firm of Merrill Lynch, told The New York "The press conference in its present form is in danger of



Larry Speakes

outliving its usefulness because of the fact that it is boiled down to an East Room extravaganza, and the questions do not come in a coherent fashion and stay with a subject and explore the depth of the president's think-ing."

Abbie Hoffman, 50, a 1960s radical still going strong, re-flected: "If I wanted to convince people that I could faith-heal them, I'd have me a jet plane by now. But I want to convince them that they have the power as people to come together and fight city hall. And this is very hard."

John Mueller, author of the 1985 book on Fred Astaire's technique, "Astaire Dancing: The Musical Films," recalled in a Washington Post interview: "I interviewed Astaire when I was just starting out on the book, and he wasn't at all concerned with the fact that his work was being written about. doesn't care about his old movies. He cares about what he's doing today and tomorrow. The man doesn't have a nostalgic

bone in his body."

-ARTHUR HIGBEE

# Integration Rose in '70s as Blacks Moved to Suburbs, Study Finds

By Martha M. Hamilton

Washington Post Service
WASHINGTON — Neighborhoods across the nation became more integrated during the 1970s, reversing an increase in racial separation the decade before, according to a study by the Urban Institute, an independent research group.

The rise in integration was largely attributed to the movement of black families to the suburbs as their incomes rose.

"The growing tendency towards more segregated living patterns, which has characterized most of the postwar period, has been reversed," the study said.

"While housing markets remain highly segregated today," it added, "barriers to integration appear to be breaking down." Researchers analyzed census data for metropolitan areas in 11 states: Alabama California, Georgia, Illinois, Iowa, Louisiana, Massachusetts, North Carolina, New

The study was carried out by Ann B. Schnare, director of the Urban Institute's Public Finance and Housing Center, and Scott Mckinney of Hobart and William

York, Ohio and Texas.

The study found that the proportion of blacks living in census tracts that were tion reflected the move to the suburbs by

more than 90 percent black increased to blacks rather than the movement of mid-publicized racial attacks in suburban New 38.6 percent from 34.8 percent between die-class whites to renewed inner-city York City and Georgia. 38.6 percent from 34.8 percent between die-class whites to renewed inner-city 1960 and 1970 but fell to 31 percent in neighborhoods. Other studies, she said

The proportion of whites living in allwhite neighborhoods - those with populations that were less than I percent black fell to 57.2 percent in 1980 from 64.6 percent in 1970 and 70.7 percent in 1960.

The study also found a shift by black families out of low-income census tracts. The proportion of blacks residing in those tracts dropped to 64 percent from 80 percent between 1970 and 1980. National legislation prohibiting dis-

crimination in housing was enacted in 1968. That, the study said, probably helped accelerate the movement into integrated neighborhoods in the 1970s. It also said evidence suggests that "the black population became increasingly di-

vided into 'haves' and 'have nots.'

remain in highly segregated neighborhoods may have fewer prospects for mobility. Since blacks, like whites, are now distributing themselves on the basis of income, segregation by class may be on the rise."

Ms. Schnare said that increased integra-

"As a result," it said, "those blacks who

have shown that the relative income of cities in relation to their suburbs in the 100

"The growing tendency towards more segregated living patterns, which has characterized most of the postwar period, has been reversed.'

--- Urban Institute report

largest metropolitan areas continued to decline throughout the 1970s. ■ U.S. Plays Down Attacks

lence in the United States despite highly site," he said.

leaders, the official, Assistant Attorney General William Bradford Reynolds, said the recent attacks in Howard Beach, New York, and Forsyth County, Georgia, were isolated events that might best be explained by a breakdown of public educa-

tion and family values. The speech seemed designed to counter the charge by Senator Edward M. Kennedy, Democrat of Massachusetts, at a Senate hearing this week that the Reagan administration had "created a climate that encourages discrimination."

Mr. Revnolds, in his speech in Orlando, Florida, to a conference of the Florida Bar Association, said there was no evidence of growing racial tension.

We have heard a good deal, primarily from the media and from the usual critics of this administration, about how these incidents, and a few other isolated events U.S. Plays Uown Attacks

elsewhere in the country, mark a rising tide

Philip Shenon of The New York Times of racism," Mr. Reynolds said.

reported from Washington:

"There has yet to be produced any eviThe head of the Justice Department's dence to back up this bald assertion and, civil rights division asserted Friday that indeed, all the available evidence collected there had been no increase in racial vio- on such matters indicates quite the oppo-

A Justice Department spokesman said Mr. Reynolds based his assertion on infor-In a speech that infuriated civil rights mal surveys of federal prosecutors and on the number of civil rights complaints filed with the Justice Department.

The Justice Department's Community Relations Service has found that the number of racial incidents reported to the government jumped to 276 last year from 99 in

The department spokesman, Deborah Burstion-Wade, cautioned that those numbers included nonviolent incidents, such as individual meetings of the Ku Klux Klan.

Those figures are open to interpretation," she said. "We don't mean to say that racism isn't a problem. But the figures don't show that there is a resurgence or a tide or a trend towards violence.

In his speech, Mr. Reynolds criticized news organizations for their coverage of the incidents in Forsyth County, Georgia. where two civil rights marches were disrupted last month by the Ku Klux Klan.

In the Howard Beach incident, in December, a black man died after being chased by a gang of white youths. He was killed when he was struck by a car on a

For Canada,

**Sudden Rush** 

Of Refugees

By Robert Pear

WASHINGTON - Illegal

aliens who are not eligible for legal status under the new U.S. immigra-

tion law are migrating from the United States to Canada in sub-

Under the law, which President

Ronald Reagan signed Nov. 6,

American employers are forbidden to hire illegal aliens. The law also allows illegal aliens to obtain legal

status if they they can prove that they have lived in the United States

continuously since before Jan. 1,

But illegal aliens who have ar-

Officials at the Canadian Em-

bassy in Washington, at Canadian

consulates across the United States

and at Canadian border stations

have reported a sharp increase in.

applications from aliens who want-

ed to leave the United States and

"Prior to Nov. 1, we had hardly

any refugees from the United

States, just a trickle," said Kenneth

J. Traves, the senior immigration

officer at Fort Erie, Ontario, across

the border from Buffalo. "It picked

up in December, and now we are

The number of people arriving

being inundated.

resettle as refugees in Canada.

rived since then will generally not

he allowed to gain amnesty or em-

ployment in the United States.

stantial numbers.

#### U.S. Is Still Dependent On Pretoria for Minerals

By David K. Shipler

New York Times Service WASHINGTON - The State Department has told Congress that the U.S. economy and the military remain dependent on South Africa for 10 minerals and other raw materials that were not included in an import ban enacted in October.

In a report sent to Congress last week, the administration asserted that without South Africa, the Soviet Union would be the only source for sufficient amounts of many of the items needed to build jet engines, process steel, refine petroleum and perform other industrial functions.

Even some officials who favor tougher measures against South Africa acknowledge that the Unit-ed States faces a difficult problem in finding other sources of key items, especially chromium, cobalt, manganese and platinum group Other crucial items are andalu-

site, antimony, chrysotile asbestos. industrial diamonds, rutile- and titanium-bearing slag and vanadium. ruptions of such supplies is an old

against Pretoria.
The sanctions legislation of last strategic minerals

Chromium is essential in pro- Africa." ducing superalloys with such corro-

as chrysotile asbestos, which is ference in Botswana last week.

used in rocket and submarine construction, are shipped through

South Africa. "At present," the report said, we is the only source of this grade of asbestos in the world," and the majority of Zimbabwe asbestos is exported via the South African ports and transportation

According to the Office of Technology Assessment, an agency of Congress, the government could be doing more to finance research and testing that might improve indussynthetics.

The Reagan administration tried last year to sell off all the platinum and large quantities of other materials that are held in government stockpiles in case of national emer-

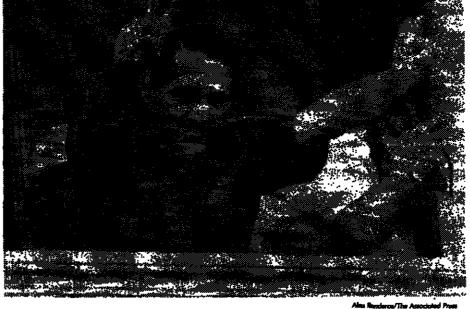
Congress blocked the move. which was aimed at generating income for budget purposes and was based on the assumption that South Africa would remain the primary source of such items

**■ Warning From Pretoria** The Botswana government said it had received threats from South concern of officials and private ex-perts. It has also been cited fre-two members of the African Naquently by the administration in tional Congress at a conference in opposing economic sanctions Gaborone, the capital, Agence-France Presse reported.

Foreign Minister R.F. Botha of fall, which banned many imports South Africa said later that Prefrom South Africa and was enacted toria had merely emphasized the by Congress over President Ronald "grave consequences" of the pres-Reagan's veto, exempts certain ence in neighboring states of "persons who plan violence in South

A statement from the office of sion-resistant metals as nickel, co- President Quett Masire said Prebalt, aluminum and titanium, tona had telexed the government These are used as components of Friday saying it would act against our reports from the field indicat- to send to the rebels this year, but every 10 Stingers fired, but doubtaircraft engines, such as turbine Botswana for allowing into the blades, that are exposed to high country two members of the Afritemperatures. Chromium is also can National Congress, which is used in the insulating liners of boil-outlawed in South Africa.

The two men were reportedly at-Some of the other materials, such tending an international aid con-



MARCHERS SUPPORT DUARTE — President José Napoleón Duarte of El Salvador salutes supporters at the National Palace during a march by an estimated 70,000 people in support of tax increases and other measures ordered to revive the economy. Mr. Duarte's governing Christian Democratic Party organized the march.

## U.S. to Supply More Stinger Missiles To Guerrillas Fighting in Afghanistan

By David B. Ottaway

WASHINGTON — The Reagan administration has decided to increase the number of Stinger antiaircraft missiles provided to the Afghan rebels this year to escalate pressure on the Soviet Union to withdraw its troops from Afghanistan, according to U.S. officials.

ing that the guerrillas are success-one U.S. official said there would fully using the weapon, first be "a major increase." shipped there late last spring and

that the Soviet Union was still not serious about withdrawing an esti-mated 115,000 troops from Af-

The administration sent about 150 Stinger launchers last year to the Afghan rebels, according to congressional and other sources. It is not clear how many additional

put into extensive use in battle in portedly had considerable difficul-October. portedly had considerable difficul-ty learning to aim and fire the U.S. officials said the decision Stinger. But beginning late last reflected a widely held view within summer, the Central Intelligence

tures in the mountains

ty learning to aim and fire the

army specialists to train the rebels in camps near the Afghan border. The source said there had been problems in storing the Stingers

A source familiar with the program said the rebels were averaging ed that they were downing one aircraft per day, as the State Department reported in December.

The source said close control over the rebels was maintained by giving each four-man attack team one launcher and one missile.

Sir Rudolf Bing,

The Associated Press

manager of the Metropolitan

Opera, Sir Rudolf Bing, and Carolyn Douglass, 47, who

were married Jan. 9 on his 85th

birthday, are being sought by court-appointed conservators

of his estate, according to the

The newspaper reported Sat-urday that the couple had been

missing since a mental compe-

tency bearing Jan. 12 in a New

York court found that Mr. Bing

was senile because of Alz-

heimer's disease and "unable to

make rational decisions." Po-

lice said Mr. Bing had not been

officially reported missing.
Mr. Bing and Ms. Douglass
were matried in Arlington, Vir-

ginia, two days after they were

ordered to appear at the hear-

U.K. Minister Visits Riyadh

RIYADH — The British defense

secretary, George Younger, arrived

Sunday for two days of talks with

his Saudi counterpart, Prince Sul-

tan bin Abdul Aziz. A plan to set

up British industries to offset the

cost to Sandi Arabia of a \$7.5 bil-

New York Daily News.

NEW YORK - The former

#### and some malfunctions caused by from foreign countries and claim ing refugee status in Canada rose from 7,113 in 1984 to 8,374 in 1985. the extreme hot and cold temperathen jumped to 18,282 last year, according to officials. The number between seven and eight hits for averaged 1,040 a month in the first half of 1986, then rose to 1.211 in

July, 2,276 in October and 3,693 in January of this year. Immigration experts and labor economists predicted that the flowwould increase further as the new immigration law took effect and as

word of Canada's liberal refugee policy spread through illegal alien communities in the United States. Most of the migrants are from El Salvador and Guatemala. Along with citizens of 16 other countries where there is civil strife or a Communist government, Salvadorans and Guatemalans receive permits allowing them to live and work in Canada. The permits are valid for

опе уеаг. Canadian officials said the same policy temporarily bars deporta-tions to Afghanistan, China, Cuba, East Germany, Iran, Lebanon, the Soviet Union and Sri Lanka

among other countries.
Under a 1980 law, aliens may be admitted to the United States as refugees if they can demonstrate "a well-founded fear of persecution in their homelands because of race, religion, nationality or political opinion. The United States has excluded many Salvadorans and Guatemalans on the ground that they were economic migrants who wanted to improve their standard of living, but faced no danger of

Christopher Taylor, director of immigration policy development for the Canadian government, said, We are trying to take more immigrants because there is growing concern about population decline, or negative population growth, in Canada in the next 15 or 20 years.

"But," he added, "the current numbers of refugee claimants are unprecedented. We are not used to turning away large numbers of peotion purchase of military aircraft ple at our borders. So we will have was expected to dominate the talks. to come up with new solutions."

#### But a Reagan confidant reports (Continued from Page 1)

successors have been named for Mr. Daniels, Mr. Buchanan, or Mr. Kingon. Many of those appointed recently, such as Mr. Fitzwater and Robert M. Gates, the new director of central intelligence, are the sort of professional government officials that Mr. Reagan once campaigned vigorously against.
Those professionals are in many

cases the only options available to been rising within the White House

was Nancy Reagan's active involvement in the drafting of the State of the Union message Jan. 27. In the past, she has generally in-truded into policy decisions only

But Paul We when she thought things were going badly for her husband. She has also insisted that the

president be shielded from any public questioning about the Iran affair while he is recuperating from his surgery, according to a confi-dant of the Reagar, family. Some of Mr. Reagan's closest friends are so concerned about the White House situation that they have renewed appeals for Mr. Re

that the president refused again to dismiss his chief aide, and Mr. Regan still refuses to resign. In explaining the strong emotions that have contributed to Mr. Regan's survival the friend said. "You've got a lot of pride in here, pride and loyalty."

To some extent, the departures from the White House staff fit the capital's natural rhythms at the conclusion of any two-year election Another sign that concern has cycle, as some people simply burn out and others seize the chance for a new opportunity elsewhere. Some staff members, like Mr. Speakes, can command top salaries in the

> But Paul Wevrich, a key conservative with close ties to the administration, maintains that an "entiredifferent dynamic" is now dominating the White House that the sense of inaction makes the place far less attractive to many officials or potential job-holders.

the initiatives they are taking, that they don't have the kind of agenda where you say, boy, this is going to be exciting," Mr. Weyrich said. gan's removal. These friends said

It's very clear from the State of the Union, and it's very clear from

The White House remains a disthat in Republican circles around the country, the belief is spreading piriting place for some officials that, as one put it, "Don's in the who remain. "No one knows what's way, he's becoming an impedi-ment to a fresh start. going on here anymore," said a senior aide to the president.



One of the things that attracted us to Reagan was that he restored our sense of pride, of confidence, of viability. Every single bit of that is in the process of being lost.'

- A former White House staff member

## TROOPS: Possibility of a U.S. Withdrawal Has Europe Worried Again

(Continued from Page 1)

likely to involve renewed attempts to prove that Europe shoulders a fair share of the military burden in the alliance. Europeans also will stress their apprehension that a troop cut would "send the wrong signal" to the Soviet Union, implying that U.S. nuclear guarantees for Europe were weakening, according

to the NATO official. A French Foreign Ministry offiductive for the United States to the price of having U.S. grain, talks with the Warsaw Pact on re-

ducing conventional forces. But sources expressed alarm at

At the Munich symposium, Richard R. Burt, the U.S. ambassador to West Germany, urged a cut in the agricultural subsidies that help European farmers compete with U.S. grain exporters, and said this money should be spent on de-

"For the first time, U.S. officials cial who declined to be quoted by are explicitly linking security and name, said that Europeans would argue that it would be counterproconsider a unilateral troop cut be- Boeings and other U.S. products, cause NATO is preparing to open said Pierre Lellouche, an associate director of the Institut Français des Relations Internationales.

"A troop-cut could be a punitive the way U.S. strategic discussions reaction, the kind of emotional, ir-

are intertwined with economic rational act that politicians are ca-

pable of," Mr. Cartwright said. European sources predicted that any sign of slackening U.S. com-mitment would undermine the credibility of the U.S. nuclear guarantee to Europe.

"A U.S. troop cut would Finlandize us," said Mr. Lellouche. European governments, whose priority is creating jobs and an economic recovery, would not undertake the extra desense spending needed to fill the gaps left by a partial U.S. withdrawal, he said

"Europe must decide how much

it values its security," Mr. Brzezin-

ski said in a telephone interview

from Washington. He added that "I don't think Europeans yet real-

ize the depth and extent of the

issue in West Germany, a spokesman for Lothar Ruhl, the deputy defense minister, said, "Any troop departure would give us problems in maintaining forward defense." In France, a foreign ministry official voiced fears that West Germany would seek accommodation

Acknowledging unease over the

with the Soviet Union if it lost confidence in the United States. In Britain, Mr. Cartwright said that "to keep the Americans in Europe, we have to cooperate more effectively among ourselves" in En-

"And," he added, "we might try to reassure the Americans that they have a free hand to use their Europe-based forces elsewhere in an

#### **BUSH:** Memo Contradicts Reagan (Continued from Page 1) believed us they would not have bothered so much with the price

about the depth of Israeli involvement in the Iran operation. Mr. Nir met with Mr. Bush on July 29 at the King David Hotel in Jerusalem, and the details were recorded in a three-page memo written by Mr. Bush's chief of staff,

Craig L. Fuller. The Senate intelligence committee's initial draft report on the Iran affair included the text of the Fuller memo, but the State Depart-

ment requested it be deleted. A source said the State Department felt that such detailed accounts of high-level discussions should not be revealed, but an ad-ministration official said the department wanted the memo deleted because "it showed that Israel was running the operation at the strate-

gic, tactical and logistic level."
A copy of the Fuller memo was obtained by The Washington Post. Mr. Fuller confirmed the accuracy The role Mr. Bush played in the Iran arms affair has come under

particular scrutiny because of his plans to run for president in 1988 and because he has emphasized his experience in foreign policy mat-ters. Mr. Bush has said he supported the Iran initiative generally, but has refused to provide details about his advice to the president.

Mr. Fuller said the information passed on by Mr. Nir was "far more detailed from an operational standpoint" about the Iran initiative than anything he or the vice president had earlier known.

Despite Mr. Nir's reference to deals with the "radicals," Mr. Fuller said, Mr. Bush "was given assurances by National Security Council officials both before and after the Nir meeting indicating that U.S. representatives were dealing with moderate elements in

Mr. Bush's meeting with Mr. Nir the material for the article might followed the mission to Tehran in have been provided to put Mr. Res-May by the former national securigan's views firmly on record and ty adviser, Robert C. McFarlane. make it more difficult for the ad-According to the Fuller memo, Mr. Nir told Mr. Bush there were ministration to reverse course.

Adopting the broad interpretation would allow the United States two levels to the Iran effort: a "tactical" one "to get the hostages out," to conduct some "star wars" tests and a "strategic" one, to build betthat are banned under the traditer contacts with Iran. tional view of the ABM treaty. However, Mr. Nir told Mr. Most of the Americans who helped negotiate the treaty say a broad Bush: "They don't believe that we want overall strategic cooperation

Bride Missing right now."

Mr. Nir referred to "sequence ing," or the connections between arms and hostages. Sources said he was trying to set up deals to steer around the U.S. policy against trading arms for hostages.

The Iranians were unwilling to use their influence to free all the

hostages, he said, as the United

States had earlier sought, because

they fear if they give all hostages they won't get anything from us." Throughout the dealings, the United States had unsuccessfully insisted that all hostages be released before arms could be delivered. Mr. Bush said last year that he believed the United States was not trading arms for hostages, but the vice president has avoided oppor-

tunities since to repeat that state-

ment, saying only that Mr. Reagan

believed he was not making such a The Fuller memo depicts the vice president as simply a listener at the

meeting, making no commitments and giving no direction to Mr. Nir. The VP expressed his appreciation for the briefing and thanked Mr. Nir for having pursued this effort despite doubts and reservations throughout the process," Mr. Fuller wrote. It is not clear whose was describing.

(Continued from Page 1)

Some officials said they believed

advocate of SDL

interpretation is not valid.

SDI: Deployment May Start by 1993, Weinberger Says

broad interpretation would allow actual deployment of space-based day in The Washington Times in an article by Gregory A. Fossedal, a Apart from legal issues, the adfellow at the conservative Hoover ministration has to sort out wheth-Institution at Stanford University er it needs to adopt the broad interin Palo Alto, California, and an pretation to carry out SDI tests,

officials said Mr. Weinberger suggested at the White House meeting Tuesday that the broad interpretation was in-

deed required for this purpose. Some government experts, however, said further review was needed. They said the planned experiments could be carried out in a way that is consistent with the traditional treaty interpretation.

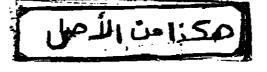
The broad interpretation holds, in effect, that there is a large loophole in the ABM treaty that allows extensive testing and development Neither the traditional nor the

of exotic defense systems such as lasers and particle-beam weapons.

Some government experts said the sorts of systems the Pentagon wants to test as part of its plan for early SDI deployment were based on technologies that were known when the treaty was signed and did not fall into this category.

The administration takes a strict view of what types of activities the Soviet Union can carry out under the ABM treaty. It is completing a report that is expected to repeat charges that the Russians have violated some treaty provisions and might have breached others.

Critics say the administration has adopted a double standard by seeking a loose interpretation of some measures that limit space! based SDI tests.



13 17

# Herald Eribune. Published With The New York Times and The Washington Post

## For Iraq, Not for Hussein

marshes around Basra. Iraq, loaded with weapons but loath to commit infantry, Iraqi air force cannot already do. The carriscens unable to dislodge the Iranians completely from the outskirts of Basra. Iran of war, but for what gain and at what cost? may yet gain an advantage that threatens America's objective in the war, peace through stalemate. Saudi Arabia, the Gulf states, Turkey, even the Soviet Union all stand to lose by Iranian victory.

America's options are limited. Strict neu-

course for the United States and most comtries in the area may now be to tilt toward Iraq and against Iran. Some mix of diplomacy and military aid, by restoring stalemate, could create a climate for settlement.

If Iran can withstand Irag's brutal bombing of cities and keep on attacking, it might yet capture Basra, force the collapse of the Iraqi army, even advance on Baghdad. That would establish Iran as the dominant power on the Gulf and in OPEC. The mullahs might seek to set up another fundamentalist Shiite regime on Iraqi soil, a bleak prospect for Turkey and Arab states. Nor would Moscow welcome the defeat of Iraq, yet

another client that relied on Soviet arms. The Shatt-al-Arab waterway -- literally, the Arab shore - is the eastern border of the Arab world, not just of Iraq. Another Iranian advance would bring the threat of revolution to the Arab states of the Gulf and open them to Iranian blackmail. Even if military action to shore up Iraq were desirable, there seems no practical way to apply it. The carrier Kitty Hawk has been

plane strike force could do little that the

The United States and its friends in the region urgently need a diplomatic policy for forestalling a decisive Iranian victory. Such a policy might turn on more Western arms and American intelligence for Iraq, but conditioned on Iraq's acceptance of a major trality made sense as long as stalemate Iranian demand—the resignation of Presi-prevailed on the battlefield. But the best dent Saddam Hussein. American interest in Iraq need not mean support for Mr. Hussein, an antocrat who recklessly led his formerly prosperous country into this disastrous war. He has used chemical weapons against Iran, in defiance of the Geneva convention that Iraq has signed. If his departure can hasten a negotiated settlement, why not see if it can be arranged?

In this context, Iran might be receptive to diplomacy. Iranians already seem to understand the need for the United States as a counterweight to Moscow. Speaker Hashemi Rafsanjani scorned the bizarre gift of a Bible inscribed by President Reagan, yet also praised his courage, a conciliatory gesture unimaginable a few years ago. Between Bibles and aircraft carriers, the United States needs to find a more subtle way of restoring military balance and engaging both Iran and Iraq in a definition of mutual interests. Somewhere, between handwringing and military threats, Washington and other interested capitals can surely assemble a diplomatic alternative.

- THE NEW YORK TIMES.

## **Privatized Diplomacy**

sis: privatized diplomacy.

Behind the specifics of this Iran deal or that contra payment, there is an underlying els of America's arsenal. The sale to Sandi pattern. If an American president's foreign policy is thwarted at home, he franchises his diplomacy secretly. He needn't bother to tites of other Third World friends and ratsell his policies to his own people. He cheted upward the Arab-Israeli arms race. needn't bother getting Congress to pay for them. Instead he can promote them by or the sultan of Brunei.

Worse yet, the money thus raised can be pooled with funds from American oil men or rightist private groups like General John Who needs the State Department? Who

needs Congress, even? The Reagan administration's privatized diplomacy first came to light in August 1985, when the White House confirmed that a National Security Council aide was raising funds for the Nicaraguan contras. Lientenant Colonel Oliver North's activities stirred protests in Congress, even the threat of hearings. But nothing much happened and soon he was all over the globe chartering Danish ships to send TOW mis-H. Ross Perot to offer ransom for hostages,

diverting arms profits to Central America. Jeff Gerth of The New York Times has brought more privatized diplomacy to light with reports of the 1981 sale to Saudi Arabia of AWACS radar planes and other advanced weaponry. As part of this furiously contested \$8.5 billion deal, King Fahd evidently agreed to aid anti-Communist resistance groups favored by the Reagan administration in Afghanistan, Angola and saw to it that \$30 million was donated to

Day by day, the news exposes a deep and the contras, although it is still unclear who dangerous dimension to the Iran-contra crisis: privatized diplomacy.

AWACS surveillance planes are not routine weapons but something like the crown jew-Arabia was the first to a non-NATO customer, so it set a precedent, whetted appe-

The Saudi deal was the first hot issue to face President-elect Reagan. He disbartering, under the counter, with foreign cussed it in his first post-election meeting potentates like King Fahd of Saudi Arabia with President Carter, displaying the same tolerance for dictators, if anti-Communist, that has fueled his privatized diplomacy and what has come to be called the Reagan doctrine. The doctrine holds that Ameri-Singlaub's World Anti-Communist League. cans should provide military aid to "freedom lighters" against leftist regimes.

When he was unable to persuade Congress to lavish aid at the levels he wanted, President Reagan turned to foreign governments to finance his policy desires. Thus the Saudis and the sultan of Brunei have provided funds for Nicaragua's contras. The main patron of UNITA rebels in Angola has been South Africa. It is the authoritarians to whom Mr. Reagan has turned in his crusade for democracy.

There is no sign that the White House has

Where in the United States Constitution is it written that the president can go to foreign governments to evade the congressional power of the purse? Where is it written that he can franchise war-making powers without the slightest consultation? In the AWACS deal, for instance, there is no evidence that anyone in Congress was ever informed of the kickbacks involved

The remedy is for Congress to close the back door through which a determined Nicaragua. And from 1983 to 1985 the king president can now drive entire rebel armies. —THE NEW YORK TIMES.

#### Other Comment

#### Strains Across the Atlantic

The Reagan administration is seriously underestimating the damage done to its credibility in Europe by the Iranian arms affair. Any other government caught out in such an inept and thoughtless exercise would have had the good taste at least to have lowered its voice for a while and stopped pretending that it held the answers to all the world's problems.

A period of silence, even of contrition,

would have been appreciated. Instead we have had an outbreak of threatening behavior over trade and the reckless bad manners (dressed up as "frankness") of Richard Perle of the Pentagon. West Germany has been told in peremptory terms to extradite States regardless of the likely consequences to several West German hostages held in Lebanon, and large parts of the U.S. fleet have been steaming up and down the Mediterranean with no apparent object in view but the flexing of muscle. With magnificent mistiming, the administration also chose last week to try to persuade other members of the economic summit of seven to hold an emergency meeting on terrorism in Rome - a meeting that could have done nothing but excite speculation about some joint operation in Lebanon. Fortunately, the oth-

er six had the wit to turn it down flat. These incidents, individually trivial but collectively disturbing, are evidence of a growing failure of understanding between Europe and the United States. Other indicators come readily to mind,

The danger is that the administration's ill-judged actions will feed an incipient

anti-Americanism which has already struck root in several European countries. There are plenty of Europeans who feel that their governments have followed the zigzags of American foreign policy during the Reagan years with a diligence bordering on servility; and it is beginning to rankle. Another two years of this will leave the Atlantic looking wider than ever, and the alliance more dangerously divided. If the president is not to leave that legacy behind, it is time for him to stop taking his allies for granted. - The Observer (London).

Equilateralism, which holds that the United States and the Soviet Union are morally equal, has the practical effect of weakening an already fractured NATO. Equilateralists influence the British Labor Party and the German Social Democrats. In power, these parties could lead their countries out of the alliance, thereby bringing about an American retreat across the Atlantic. The result might be a Enrope under the hegemony of the Soviet Union —or even of a united Germany; a Europe passive before the threat of Soviet muscle, or an armedto-the-teeth third force.

— The Richmond (Virginia) News Leader.

Vote-share changes in a placid election suggest strong West German feelings on two key issues. Americans should note many West Germans' attraction to environmentalist and neutralist themes. By their gains at the expense of larger parties, the small West German parties draw attention to domestic German issues of continuing international importance.

- The Minneapolis Star and Tribune.

#### INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982

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#### **OPINION**

# Westerners at the Court of Czar Mikhail

C AMBRIDGE, Massachusetts — What is Mikhail Gorbachev up to, and why is he inviting all those interesting people to Moscow?
Much like Czar Peter the Great, he is summoning Western intellectuals to his Kremlin court.

Peter brought scores of European artisans, sages and shipbuilders to Russia in the late 1600s as part of a quest to "civilize" his backward land. Mr. Gorbachev, too, has invited an eclectic collection of artists, writers, scientists and futurists, to hear their views across a wide range of subjects from strategic defense to spiritual malaise.

The Romanovs were attracted to Western ideas and customs, but Soviet leaders before Mr. Gorbachev have been deeply xenophobic and suspicious of foreign influences. He has broken with this clandestine tradition, leaving himself considerable time in recent months for discussions with a diverse group of visitors, including Alvin Toffler (author of "Future Shock"), James

Baldwin, Gary Hart and Peter Ustinov.

To top it off, the Soviet Union has invited several hundred prominent Americans from academia, business, politics and entertainment to a high-visibility conference in Moscow from Feb. 14 to 16. The Council on Foreign Relations has sent a group of former statesmen, including Hen-ry Kissinger and Cyrus Vance, to engage Mr. Gorbachev on issues of arms control. (The guest list includes such unlikely participants as the rock singer John Denver. During Mr. Denver's last visit to the Soviet Union, an overzealous Russian interpreter translated his song "Rocky

By Kurt M. Campbell

There is scant precedent in the Communist world for this sort of cultivation of the Western elites. What accounts for the opening?

Before the bloom went off the flower of the Cuban revolution, Fidel Castro entertained poets and revolutionary pirates from throughout Latin America. He met novelist Gabriel Garcia Marquez during this period and reportedly struck up a friendship by swapping fish recipes. However, as Cuba slipped further into the Soviet orbit Mr. Castro lost his tolerance for debate with foreign bourgeois elites.

Perhaps the only modern equivalent of Mr. Gorbachev's meeting with highbrow interlocutors was President John Kennedy's desire to surround himself with intellectuals.

There are several possible motives. First, Mr. Gorbachev may well have given up on the idea of conducting diplomacy through official channels, because of an "anti-Soviet clique" in the United States government; he may have fastened instead on the idea of establishing alternative lines of communication to the White House through respected and renowned intermediaries. Mr. Gorbachev's current strategy of fostering high-level, unofficial contacts with Westerners comple-ments the longstanding Soviet campaign to reach American grass-roots organizations.

There is obviously, too, an element of old-fashioned public relations in all this, arising



visitors will give legitimacy to a historically in-secure Soviet leadership. Indeed, the willingness to grant important foreign visitors an audience with Mr. Gorbachev appears to have at least reinforced Western impressions of Mr. Gorba-chev as a forceful and dynamic leader. Mr. Toffler remarked after his meeting with the Soviet leader: "Gorbachev was witty, ami-

able, quick, at home with intellectual thrust and parry. Behind his charm stood an impressive, vital figure, accustomed to command." Like Mr. Kennedy's ruminations with intellectuals over cups of claim chowder at Cape Cod, Mr. Gorbachev's musings with Western elites (replete with bowls of beetroot borscht) have won him admiring and sympathetic reviews.

In his zeal to revitalize Soviet society Mr. Gorbachev has looked to the West for new ideas and inspiration. He has demonstrated a certain impatience and dissatisfaction with the advice he has received from underlings. Many bureaucrats laboring within the Stalinist state machinery have failed to meet Mr. Gorbachev's urgent demands for "new thinking."

It is being hoped that his brainstorming with some of the West's best minds will help to perconduct the statement of the brainstorming with some of the West's best minds will help to perconduct the statement of the brainstorm of the west's best minds will help to perconduct the statement of the brainstorm of the west's best minds will help to perconduct the statement of the brainstorm of the west's best minds will help to perconduct the statement of the brainstorm of the west's best minds will help to perconduct the statement of the brainstorm of the west of the west

late creative new ideas from the top of the bureancracy downward. For instance, senior Soviet planners recently conferred with the American designers of a popular motivation seminar. The Russians are apparently intent on applying these same techniques to boost worker productivity in their inefficient factories. Some of Mr. Gorbachev's motives are com-

mendable and worthy of encouragement, but there is an unmistakable undercurrent of propaganda to this courtship of foreign intellectuals. The Soviet Union has no doubt designed the coming conference involving several hundred American visitors to highlight the wonders of glasnos:—openness—hoping in part to make some inroads into American public opinion.

Westerners should strive to keep Mr. Gorba-chev's initiatives in perspective. The pilgrimage of intellectuals to the Kremlin is a new wrinkle, on interactions to the kreamin is a new whitele, but it is a far cry from a wholesale copening up of Soviet society. The exodus by these foreign shishki — Russian slang for "big shots" — to Moscow has yet to touch the lives of everyday Soviet citizens. Contact with foreign elites is still reserved for very senior Soviet officials.

Peter the Great's contact with foreign intellectuals helped inspire social, economic and military reforms. It is much too early to tell whether Mr. Gorbachev's fledgling contacts will have an enduring effect on Soviet society at large.

The writer is a fellow at the Center for Science and International Affairs at the Kennedy School of Government, Harvard University. He contributed

## Terror Wins When the Target States Are Divided

 $\mathbf{D}^{ ext{AMASCUS}}$  — Viewed in the wisdom of hindsight, the latest international hostage crisis arises from tragic errors of judgment by haps, too, by Terry Waite, the van- personal intervention.

to Syria's President Hafez al-Assad. and from the confidences of diplomats of West Germany, France and Britain who are suffering through this affair along with Syrians and Americans. First of all, the mistakes of American administrations since scores of U.S. diplomats were held hostage in Tehran in 1979-80 by Aya-tollah Ruhollah Khomeini's partisans showed Tehran and its Lebanese Shiite supporters that taking hostages

often pays, and pays big.
It has been Iran, and not Iran's ally, Syria, which has profited. Several times since the combined efforts of Syria, Iran and Islamic radicals in Lebanon thwarted the U.S.-led military "peace" operation in Lebanon in 1983, President Assad's men in Lebanon have helped to free individual captives. One was the acting president of American University of Beirut, David Dodge, taken during the

By John K. Cooley Israeli invasion of Lebanon in 1982. in Syria's tilt toward Iran in the more Mr. Dodge was freed a year later than six-year-old Gulf war.

n Lehanon or the Rebas and helo Valley. The Syrian army is only one armed group present among many." For a few months the Syrians believed that they were making a sub-

stantial contribution to the freeing of other hostages, such as the American clergymen Benjamin Weir and Lawrence Jenco. Then they learned last November, with the rest of the world, that freedom for the clergymen and for American educator David Jacobsen had been bought with secret shipments of U.S. arms to Syria's ally Iran, shipments inspired and aug-mented by Syria's arch-enemy, Israel.

The Syrians had to choke back their anger against Iran. This country is desperately short of cash, has large debts and badly needs Iran's oil deliveries. That makes coexistence between the Syrian army in Lebanon and the Lebanese and Iranian followers of Ayatollah Khomeini one of the least palatable but foremost factors

Western governments — and per- after President Assad's very energetic On his previous missions to discuss the hostages, Terry Waite protested naps, too, by Terry Waite, the vanished Anglican negotiator.

But, as Mr. Assad has said and as
Several conclusions result from an aide reminded me, "Syria has a
two weeks of largely fruitless efforts

But, as Mr. Assad has said and as
an aide reminded me, "Syria has a
manitarian motives. But in effect he
military presence in Lebanon. It does
was acting for U.S. policy, whether or contributors or others.

"On each previous trip," said a Lebanese official who has sought to help Syria in its Sisyphean task of trying to stabilize Lebanon, "the kidnappers found that Waite always had something to offer. When he came in January empty-handed, they took him as insurance against the thing they seem to fear most, while, perversely, they also seem to welcome it: an American attack which will plunge the area into flames."

A representative of Abu Nidal's Fatah Revolutionary Council remarked, "We hope the Americans will come. We have some disagreeable surprises for them!"

The extremist kidnappers, members of several families involved in past terrorism against the United States, West Germany, Israel and

# A Show of Strength or of Weakness?

By William Pfaff

PARIS — The American show of strength in the eastern Mediterranean looks very much like a show of weakness. What were three dozen ships, including two nuclear aircraft carriers, and two marine amphibious groups, supposed to do? They could have obliterated Lebanon. They still could. But what were they supposed to do that would be useful?

They could have bombed Moslem Beirut, or camps in the Bekan Valley, or Beirut airport. (There is talk of Beirut airport as a target. Why Beirut airport?) They could have killed a certain number of people — including, possibly, some of the people they wanted to kill. They would thereby assure the killing of all of the Western hostages in Beirut, and probably of a lot of other Westerners as well.

In the event, having sailed up to Beirut, they are reported to have sailed away again, providing another demonstration of the impotence of U.S. military power when the objective of policy is not a military one.

Someone has convinced policy makers in Washington that to show off the unquestionably impressive American arsenal is effective in itself. At Fort Bragg in North Carolina, when this writer was a young soldier. we used to put on what was called the "mad minute," a demonstration of

#### LETTER If Hot, Then Chilling

"A Writer's Outrageously Good Fortune" (Feb. 6) was depressing. One rules out spoof; one takes for granted careful reporting and faithful editing. So what we got was all there was to get. Leslie Dixon, a Hollywood hack whose success makes her a cultural role model of sorts, is a spectacularly addled mangler of the English language. That she's loose in the

land makes it easy to stay indoors. That she's "hot" is chilling. ARNOLD HERBIGER.

the firepower of an infantry battalion. It was extremely noisy, blew a lot of clay about, knocked down trees; and so what? Afterward we had to go about stamping out the grass fires, while the visiting VIPs went on to drinks at the Officers Club. A show of strength is mere enter-

be employed in some rational way. The allied fleet that assembled off Normandy in June 1944 made a very impressive show of strength. It was truly convincing, however, because it meant to land an invasion force to carry out a serious plan by which German defenses were to be broken, German troops on the Cotentin peninsula enveloped and a drive for the Seine and the Rhine begun, which was intended to end with Hitler's hanging. If that fleet had sailed about, and then sailed away, it would have been rather less impressive.

The Sixth Fleet had no comparable plan. Even if its planes had bombed Lebanon, or even — God forbid — if the marines had landed, American anthority would have been diminished because neither action could have produced a situation politically or militarily superior to that which now exists. If you think the pacification of Vietnam was fun, wait until you try to pacify Lebanon.

The forces at work in Lebanon function in a different dimension than the Sixth Fleet. Shifte radicalism is driven by a conception of Iran as a "redeemer state" and of Shiite integrism as the way to liberate the disinnerited of the world. Groups which call themselves by such names as "the Party of God" or "the Organization of the Oppressed on Earth" are deadly serious about it. "Shows" of force and threats to do the undoable will not work against such people. What then to do? About the hos-

tages, there is a simple choice. One can make deals for them and pay ransom, as the Reagan administra-

Reverends Benjamin Weir and Law-rence Jenco, and of David Jacobsen, and as it tried unsuccessfully to do for other captive Americans. This, however, even when successful, moti-vates terrorists to take new hostages when new concessions are sought. Or one may take a principled posi-

tion of making no concessions for hostages, and write off those unhaptainment unless it is strength that can py people now in terrorist hands as be employed in some rational way. casualties of an undeclared war, or casualties of contemporary history.
This requires moral fortitude, and the press and public opinion make the option very difficult. About Islamic integrism, Western

policy has a choice among three general courses. One is passive and pruing the U.S. or Western involvement in the region, allowing events to take their course, in reasonable confidence that the more extreme forces will spend themselves and that eventually some kind of constructive relationship will again become possible. The second course would be to

resist Islamic radicalism by backing Iraq in the Gulf war and energetically supporting the more moderate gov-ernments and forces in the Islamic world. The risk in this, of course, is that the moderates may lose. A third course would effectively

reinforce the second. It is to look once again for a Palestinian settlement, placing pressure on Israel end and bringing the Soviet Union back into negotiations on the future of the Middle East on the assumption that anarchic conditions there frighten Moscow, too, and that the Soviet Union has influence over Syria and the Palestinians.

Washington's shows of military strength conceal a weakness of will and lack of political determination. The Sixth Fleet presumably does not mpress the terrorists. It impresses Americans, but that is not what is supposed to happen.

International Herald Tribune. C Los Angeles Times Syndicate.

probably France, make demands: that Israel release 400 prisoners in

return for the lives of three american

and one Indian teacher taken in Bei-

rut, and that West Germany not give

the United States the suspected hi-

jacker of a TWA flight and suspected

murderer of one of its passengers. The kidnappers make extreme deey payments to Iran by the United such demands have worked. Israel States, France, private American traded more than 1,200 prisoners for three Israelis in 1985. The United States, thanks to efforts of men like Lieutenant Colonel Oliver North and Vice Admiral John Poindexter, sent arms to Iran. France, Italy and West Germany swapped hostages on many occasions. One especially shameful example was the trade by Bona in 1984 of two Libyans prosecuted in West Germany for torturing and murdering an anti-Gadhafi dissident

> revolutionary committees."
>
> Continued U.S. rhetoric about "not dealing with terrorists" now rings so hollow that no one listens. The world has observed France offering loan repayments, if not downright ransom money, to Iran in return for some of its captives in Lebanon.
> At present, West Germany is trying to bargain secretly for two of its nationals taken in Lebanon. Bonn is delaying extradition of Mohammed Ali Hamadeh, wanted on a U.S. fed-

for eight Europeans held in Libya by

eral warrant for murder and air piracy in the 1985 TWA hijack. Soon it may be France's turn again. On Feb. 23, a special Paris court is to begin the trial of Georges Ibrahim Abdallah, the Lebanese pro-secuted in the murder of an Israeli diplomat and two American ones, after a bloody campaign of terror in

rance last year to secure his release. Whether the U.S. Navy buildup off Lebanon proves to have been a bluff or not, all concerned, and especially Washington, should remember a lesson of five years of hostage crises: Sometimes nations, like people, must deal with terroxists, but unless they deal with them and with the root causes of their deeds together, as al-lies, they will surely fail, and terror-ism will be reinforced again.

The writer is a London-based staff correspondent for ABC News who specializes in his books and reporting on the Middle East and North Africa. He contributed this comment to the Inter-national Herald Tribune.

## Victory Seems Near For Iran

By Jim Hoagland

DARIS - Greed, concern for hor. tages and hunger for geopolisical glory brought together the Americans, Israelis and Iranian coles who gave us Irangate. What about the other side? What was in the minds of those in Tehran who hared the Great Satan and assistant Satans into a dia. logue that was not at an end when it was exposed? More than weapons to use against Iraq, it turns out, although those were important. The Iranians hiding behind the low-level figures Bud McFarlane and Oliver North met were also testing U.S. reaction to a victory over Iraq that now

seems to be within their grasp.

They concluded from those contacts that the United States would accept such a result and not intervene to try to change it, an authoritative source who is in touch with elements of the Iranian leadership informs me.

The prospect that even this war has an end must now be faced, whether it comes in this offensive or later. The tide has shifted decisively in Tehran's favor because of gains on the battle-field, in diplomacy and on the eco-nomic front in the past two months.

Instead of concentrating on the daily give and take of turf around Basra, the United States and in allies need to understand what Iran's true objectives are, and how close Tehran is to accomplishing them. Washington must try to avoid the misrcadings of Iran that have plagued the United States in the past, with officials not meeting the ayatollahs when they should have (1978) and meeting them when they should not have (1986).

Militarily, the target of the "Kar-bala 5" offensive that iran launched on Jan. 9 is the Iraqi army, not the well defended city of Basra. By moving their forces to within mortar range, the Iranians have taken the city hostage without having to accept the heavy losses that would be required to capture and hold it.

The Iranians continue to draw the Iraqi army's best units into bloody encounters against an apparently endless supply of Revolutionary Guards and militiamen. They want to force the Iraqi army into the choice of feeding its best soldiers into a relentless meat grinder, or turning and de-posing Saddam Hussein. That is how the war ends for the Iranians, not with the capture of Baghdad or the declaring of an independent Islamic Republic of Basra that could lead to the disintegration of the fraci state. For this strategy of attrition, the

most important statistic for Iran in January was not the body count or the number of miles advanced along the front. It was a jump in Iran's oil production to 2.2 million barrels a

Agency's monthly report. Iraqi sir attacks on Iran's oil-exporting facilities and on storage tankers had cut Iran's production to be low 1.5 million barrels a day for much of 1986. That supped ham's ability to finance its war needs and new long hope of some respite in the war.
That hope is vanishing from a thin-

ity to overcome the damage done by Iraqi attacks on its oil production facilities coincides with this year's higher oil prices and with a new eagemess by Western arms sapplies inderstandably no longer cowed by U.S. strictures on selling arms to Telran — to offer Iran whatever it needs.

Throughout the emirates of the Gulf and in Saudi Arabia, many are beginning to ask seriously the ques-tion they had hoped would go away:

What happens if Iraq loses the war! An Arab friend of long standing recounts that as the Iranian offensive has intensified, banks in Bahrain have been shipping their original ac-count records to London for safekeeping and working from copies Another acquaintance from the area speculates that the United States is moving warships closer to the Gulf to try to stem a growing sense of panic in Bahrain and Kuwait.

This sort of gunboat apology to the Arab supporters of Iraq for dealing with Iran is not likely to be effective. The Iranians have been busy sending their own assurances to the Ara states, including Saudi Arabia, that Tehran will end the war when Saddam Hussein is overthrown and that it is prepared to work with conserve tive Arab governments to establish a new order in the Gulf region. Given the bloodthirsty denuncia-

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tions of their governments that have been shouted by Tehran's Islamic revolutionaries in years past, these rulers are right to harbor strong doubts about the smeerity of such pledges. But with the tide moving as rapidly as it is, they may have no choice soon but to see if they can reach accommodation with Telman. The Washington Post.

#### IN OUR PAGES, 75 AND 50 YEARS AGO

1912: For a Free Ireland 1937: The Fall of Malaga lined a Home Rule Bill to a gathering of 6,000 Liberals and Nationalists at Celtic Park [on Feb. 8]. It would create an Irish Parliament that will have control over purely State matters and powers of taxation for State purposes so safeguarded by Imperial control that no unjust levies can be placed on Protestant Ulster. He pledged the faith of the Liberal Govcriment that the Bill would guarantee absolute religious freedom, declaring that any infraction of that pledge by the Parliament in Dublin would be remedied by the Imperial Parliament at Westminster. Then he announced that the time was at hand

the dignity and honor of Ireland.

BELFAST - Winston Churchill out- PARIS - General Francisco Franco's forces swept into Malaga [00 Feb. 8]. The Mediterranean port was captured by four advancing columns in the course of the morning. General Queipo de Llano, the insurgent leader in southern Spain, entered the city at noon. After the collapse of the defense, the Reds fled in disorder toward Almeria, while Nationalist warships continued to shell the coastline cast of Malaga. The fall of Malaga is raied as a decisive event in the civil war by Spanish Nationalist spokesmen, on a par with the capture of Irun and Toledo. It will open up possibilities of an advance along the eastern coast toward Almeria, Alifor England to grant freedom, the for Engiand to grant treedom, the boon long sought and longht for by the Irish people. He ended with an appeal to Protestant Ulster to forget the hatreds of the past and to fight for the hatreds of the past and to fight for the latter of the past and to fight for the latter of the past and to fight for the latter of the la cante and Valencia. According to the

# France's Winter of Discontent

#### IN THE NEWS

Dec. 6: Protester Dies

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glate, and get in

A French student, Malik Oussekine, dies after being beaten by police amid demonstrations against a bill to raise university tuition fees and stiffen entrance requirements.

The bill is withdrawn. SOCIETY, Page 6

Dec. 18: Rail, Power Strikes

A wave of strikes in the public sector begins, disrupting power supplies and transpor-tation nationwide for a month. Amid record low temperatures, rail workers return to work. Agreements are signed between the electricity authority and all unions except the Communist-led General Confederation of Labor. The government acquireces to striking engineers of the national railroad by withdrawing a new promotion scale that favored merit over seniority.

Jan. 30: Chirac on Economy

Despite the wave of strikes, Prime Minis. ter Jacques Chirac says he is determined to pursue plans to modernize the economy, fight uncamployment and give a "second wind to social dialogue." Uncamployment hit a record level at the end of 1986 with 2.69 milion people out of work, 5.5 percent more than at the end of 1985. The 2-percent growth in gross domestic product was be-low official forecasts. ECONOMY, Page 7

Jan. 31: Rush to Buy Stocks In the biggest share offering on the Paris Bourse, nearly three million individual investors purchase

shares of Cie. Finan-

cière de Paribas,

the banking group nationalized in

emment's priva-

volving 65

1982 under the gov-

tization program in-



fering forced the government to back down from a pledge to meet in full all bids for up to 10 shares. A

total of 14,7 million shares at 405 francs each were set aside for small investors. The offering to for-



Prime Minister Jacques Chirac.

#### Mitterrand and Chirac: **How Voters View Them**

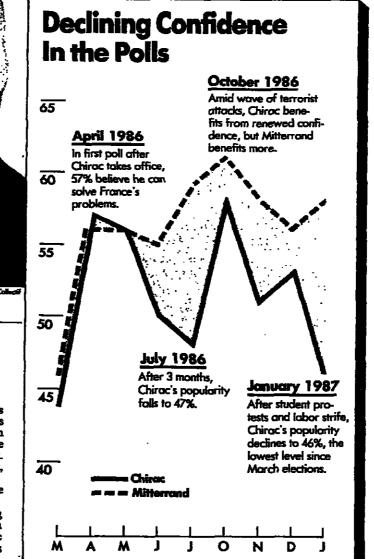
ince the election that brought Jacques Chirac to power as prime minister nearly 11 months ago, President François Mitterrand has maintained a steady high rating in opinion polls. In a SOFRES poll conducted one month before the elections, Mr. Mitterrand received a confidence rating of 46 percent. In the weeks following the vote, his score rose to 56 percent, compared with 57 percent for Mr. Chirac.

The president's popularity remained at about that level, while the prime minister's rating fell to 47 percent in a July poll. In September, amid a wave of terrorist attacks, Mr. Chirac's rating rose to 58 percent; the president's to 61. In late December, amid a nationwide rail and utility strike, 46 percent judged Mr. Chirac capable of resolving France's problems, while Mr. Mitterrand's popularity rose to 58 percent. In the latest poll published last week, Mr. Chirac's rating fell to 44 percent and Mr. Mitterrand's to 56

As the electorate begins to focus on the race for 1988, the question remains: Will Mr. Mitterrand run? An analysis on Page 6.

Consequences of Unrest

# Chirac's Image Is His New Challenge



Note: No polls published for August, September.

Source: SOFRES/Figure Magazine

A series of crises has dogged the center-right government.

By Julian Nundy

ARIS - Almost a year after regaining power for the right. Prime Minister Jacques Chirac now has a serious image problem that threatens his long-term political future. It is one that he will have to resolve quickly if he is to become the right's main candidate in presidential elections next

Mr. Chirac became head of the centerright coalition government after elections last March 16 with one of the most difficult mandates of any prime minister since Charles de Gaulle took office as the Fifth

Republic's first president in 1959. With François Mitterrand, a Socialist, in the Elysée Palace, it was the first time that modern France was to have a head of state and a head of government from opposing political camps, the so-called co-habitation policy.

Many political observers gave the new ent no more than a few months in

Now, few speculate on its longevity, concentrating instead on the likely scenarios when presidential elections fall due in

Mr. Chirac's Neo-Gaullist Rally for the Republic, and its center-right coalition partner, the Union for French Democracy, came to power with promises of radical

reforms, particularly in the economy. As these reforms were instituted at a fast pace, a series of crises dogged the Chirac government, leaving it to answer charges that it was uncaring and dismissive of social issues.

Mr. Chirac's troubles came to the surface in December, when a student movement against university reforms, that had started peacefully, began to turn violent.

Critics of the government laid the biame for the violence on police handling of

demonstrators. The affair turned to tragedy in the early hours of Dec. 6, when a student. Malia Oussekine, died after receiving a beating from riot police who had just emptied the

Sorbonne of protesters.

The government had already withdrawn the three elements of reform that most offended the students — the introduction of a selection system, an increase in turtion fees and allowing universities, which have uniform state diplomas, to issue their own

After the student's death, the minister for higher education, Alain Devaquet, resigned and the government withdrew the whole reform project.

Marches through Paris and other cities

continued for a few days, however, in mourning for Mr. Oussekine. The students were joined by thousands of middle-aged men and women, angered by the police behavior. To cool the atmosphere, the government

legislation, particularly a new French nationality code and a plan to allow prisons to be built and run by private firms. The nationality law, which would end automatic French citizenship for all peo-

postponed debate on other controversial

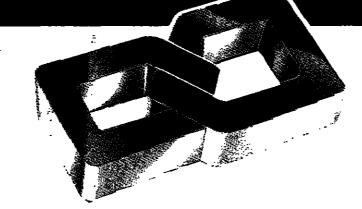
ple born in France, has since been shelved while awaiting revision. Soon after the student protests, the gov ernment was again plunged into crisis as railroad engineers walked off the job in

anger over a new pay deal that would have ensured promotions on merit instead of by seniority as at present. The government refused to intervene in

the conflict between the state-owned railroad, the SNCF, and its workers. This

Continued on page 8

# CIC GROUP



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Of course, the fact that the Bourse is doing so well may not please everyone. Well that's just too bad for them.

COMPAGNIE DES AGENTS DE CHANGE

**BOURSE DE PARIS** 

# Are the French Ready for New, Modern Era?

We are an old rural nation...

By Joseph Fitchett

ARIS - When student protests forced Prime Minister Jacques Chirac to retreat from plans last December to make universities more competitive institutions, the episode was more than just a blow to the government's political prestige. The student revolt's mexpected strength also raised questions about French society's readiness to accept changes of a sort widely considered to be overdue.

France had seemed ready for a conservative revolution after five years of Socialist government. The Socialists had paved the way, as economic realities had forced them to renounce their doctrines of state control and

preach the virtues of competition.

With both Socialists and neo-Gaullists claiming to be converts to fostering private initiative, France was presumed ready to throw off its historical reliance on strong state inter-vention and, in a bound, escape the bonds of red tape, unions and labor-law rigidity.

ess culture had supplanted literary gossip at smart dinners, telegenic tycoons such as Bernard Tapie were media darlings, the hour had struck for what the French call "liberalism" - which equates with the English "conservative economics" and means in practice these days a dose of Reaganomics to unleash

entrepreneurial energy.

Although begun under these anspicious omens, the conservative revolution in France's business culture and social consensus seems

postponed indefinitely.

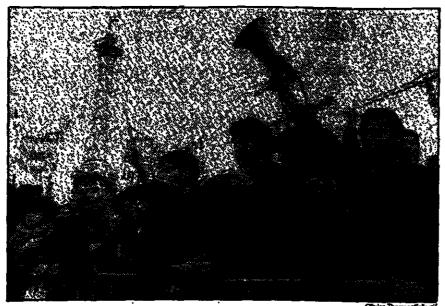
Mr. Chirac's government, while successfully denationalizing banks and industry, stumbled in trying to shake up work habits. Conflicts about emphasizing incentives instead of se-niority, merit instead of equality — changes whose symbolic dimensions vastly outran their actual impact - ballooned into a national

Strikes, emulating the students' protest, blocked productivity plans in other loss-making, state-owned enterprises, including railroads, the Paris Metro and the harbor at Mar-

seilles, the nation's largest port.

A peculiarity of the strikes was that they were led by students or workers from outside the trade unions, which traditionally handle collective bargaining in strongly centralized France. The unions' lack of leverage, and the strikers' ill-defined agenda, made the conflicts hard to settle. To many observers, the protest seemed to be a general revolt against the idea

Suddenly, deeper questions were being asked about France's future. Are French people ready to modernize their economy if the price is accepting a more competitive existence? Can any government overcome entrenched resistance to rolling back job security and social protection in key sectors, particular-



Students at the Bastille: Their unexpected strength raised questions.

The Chirac government, attempting to wean the nation abruptly from comfortable habits,

seems to have triggered a backlash that has slowed, for now, the process of change.

conservative strategist, Jacques Toubon, secre-tary-general of Mr. Chirac's party, the neo-Gaullist Rally for the Republic, said in an interview that he and his colleagues had under-

estimated French people's attachment to what

he called leftist values - equality over free-

dom, solidarity over success, stability over risk.

As the party's spokesman, Mr. Toubon has tried to recover the initiative by stressing the

notion that "France's only chance of getting

out of the economic and social crisis is for France to risk some changes." But his upbeat

approach apparently came too late to rally

public support.
Nonetheless, he contended, the government

has created an "irreversible new momentum in

France: Privatization, which will develop popular capitalism and is the modern form of

worker participation advocated by General de

conditions; autonomy for the central bank --

all these will make our economy more market-

He and Philippe Seguin, minister of labor, have said that they remain committed to a

planned law to increase industrial flexibility,

mainly by authorizing employers to negotiate

variable work-weeks to accommodate fluctua-

tions in demand. "We will legislate, and we will

help pay for retraining and other incentives for mobility, but it will take time for all this to pass

into French habits," Mr. Seguin recently told a

social initiatives, tacitly admitted that the gov-

ernment has abandoned its most ambitious

plans - for example, to restore control of the

universities to professors and eliminate the

students' power that has remained since May

1968; to privatize major public-service enter-

But Mr. Toubon, in omitting any major

Acknowledging that mistakes were made, a

ly in state-owned public services? Has France really moved closer to a national political consensus enshrining private business and a better performing public sector as the country's best hope for growth in wealth and jobs?

France, like other West European nations, needs to shake up its business habits to thrive in a more competitive global economy. But French society has long been ambivalent about

"We are an old rural nation and a traditional Catholic society, with ambiguous feelings about money: We like settled fortunes, but we are suspicious about money that flows, irrigates — and may evaporate," said Jean Bois-sonat, editor of L'Expansion, France's leading

But, after centuries of looking to the state to provide security, the French are being summoned to a more rough-and-tumble climate. Most significantly, any shake-up has to struggle with entrenched interest groups' reflex of clinging to any advantage, even if a small sacrifice might help the overall economy.

Mr. Boissonat summed up the dilemma recently. "When France peers into the future, it looks cross-eved because of our nation's solit personality: Combative individualism contradicts soothing egalitarianism [credited with preserving social peace]." he wrote, adding: "It will take years of gentle persuasion to nudge social and industrial groups away from their vested interests and into a new dynamic."

Many analysts agree that long-run trends are making France more like neighboring industriai countries, reducing French people's dependence on the state and increasing the role of

For the moment, however, France has settled for superficial changes. "When I see Mr. Chirac doling out the privatized television stations rather than publicly selling them, I don't see any liberalism," said Alfred Grosser, a French political writer. prises, and to eliminate the trade unions as a major bargaining partner.

"The conservatives, with their technocrats trying to change society by decree instead of piecemeal by practical steps, were as clamsy as the Socialists," Michel Crozier, a sociologist, wrote recently in Le Point magazine.

"French people have never been more tolerant, more phyralistic, more enterprising: They are ready for reforms," he added. "But not just any reform.

A much less sanguine view of the French mentality appeared in an accompanying article by another sociologist, Alain Touraine: "What strikes me is the increasing ungovernability of this country." France, he continued, "has be-come a nation of people on the defensive, still ready to demand that government shelter them from the economic crisis, instead of scrambling

Most analysts, however, are closer to Mr. Crozier in describing France as ready for change, if it is gradual and advoitly handled. "An encouraging sign is that the agitation did not immediately turn to political extremism: Nobody called for the system's overthrow, or even for the government to resign," Nicholas Wahl, an American specialist on France,

noted in Paris during the strikes. ately chose shock tactics, a confrontational approach, insiders say, that was intended to crush the trade unions instead of negotiating with them. The unions, weakened by years of high unemployment and not revitalized while the Socialists were in power, seemed ripe to be eliminated as a major force in the French business climate, they confided.

The government's actions, however, miscarried when wildcat strikes got out of control and were especially hard to settle because the unions themselves lacked bargaining power

with their own rank and file. "We indulged in a crazy dream," said an influential member of the Patronat, the employers' association, who asked not to be identified. He and others now recognize that trade union power is not the primarily obstacle to changing job habits. More importantly, without unions to help negotiate, change often is harder, not easier, to bring about.

"It's a naive misconception to think that a modern industrial nation can be governed Ganlle, a trend toward flexibility in working without unions to help articulate workers' in-terests," noted Suzanne Berger, a French affairs specialist at the Massachusetts Institute of Technology. "The moment has come for

France to rediscover the necessity of unions."

The crash program of Mr. Chirac also went too far, too fast in other areas, often insetting his fellow conservatives, writes Jérôme Jaffré, a public opinion analyst, in "L'Etat de l'Opinion: Cles pour 1987" (The State of Public Opinion: Keys for 1987). The abolition of the wealth tax and the decision to ease formalities for firing employees, Mr. Jaffré said, divided Mr. Chirac's own electorate.

Without saying that the pendulum in France will swing back from the conservatives, Mr. Jaffré said that French people favor more deregulation and more personal initiative, but they rebel at open assaults on social protec-tions or on the egalitatian philosophy that still prevails in the nation's institutions

## Mitterrand: **Playing** For Time

ARIS — As Prime Minister Jacques
Chirac has dealt with a succession of crises, President François Mitterrand has shown little desire to exploit his rival's misfortunes.

The reason, several political sources say, is that the president wants Mr. Chirac to remain the main leader of the right and be the conservative candidate in next year's presidential election. The president has maintained a steady

lead over Mr. Chirac in opinion polls.

And Mr. Minterrand believes that, in a presidential election, he would find Mr. Chirac easier to beat than the other likely rightist candidate, Raymond Barre, the

Last fall, Mr. Mitterrand said publicly that he did not intend to be a candidate for the presidency in 1988, when his seven-year term ends. But he did not exclude his candidacy in the event that he was asked to run.

Lionel Jospin, the first secretary of the Socialist Party, has proposed a motion for the party's congress in April expressing the hope that Mr. Mitterrand will be the Socialist candidate. If accepted by the congress, the

proposal would become party policy.
Published in January, the proposal already has angered the supporters of the other most likely Socialist candidate, Michel Rocard.
Mr. Rocard, a former agriculture minister, has a consistently high rating in opinion polls. Within the party, he has long been seen as a Mitterrand rival.

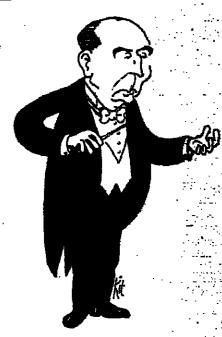
Supporters of Mr. Rocard, responding to the Jospin text, have attempted to head off a decision at the April congress on their presi-dential candidate by suggesting a separation of "the debate on our policies from the debate on nominations.

The Mitterrand camp, however, sees the friction between the Socialist Party factions as dangerous only for Mr. Rocard. Other possible Socialist candidates are former prime ministers Laurent Fabius and Pierre Mauroy, who both currently back Mr. Mit-terrand's candidacy for 1988.

Shortly after the internal Socialist Party squabble started, Mr. Rocard's popularity fell to 49 percent, according to a poll published in the weekly Journal du Dimanche in late January. A similar poll conducted a month earlier by the IFOP polling organization gave him 56 percent.

A series of opinion polls published just after France came out of one of its most uncomfortable crises in recent years, with public-sector strikes causing transport chaos and electricity cuts over the Christmas and New Year holidays, showed only one politician gaining. That was Mr. Barre, the most resolute opponent of the concept of a conservative prime minister sharing power with a

One of the leading members of the Union for French Democracy, the alliance of centrist parties that is the coalition partner of



Mr. Chirac's Neo-Gaullists, Mr. Barre scored highest in the IFOP poll — 56 percent.
Mr. Barre, who was prime minister from 1976 to 1981 under President Valery Giscard d'Estaing, increased his populatity after ap-pearing in his first formal television interview since the March elections at the height of the public-sector strikes.

As for Mr. Mitterrand, the past 11 mouths have given him the opportunity, while losing much of his power, to appear as a sort of arbiter, particularly on social issues. But he has had to tread a delicate road.

He refused to sign three decrees put before him by Mr. Chirac to head off partiamentary debate, but at other times he has been most supportive of the government. He expressed his solidarity with the government's stand against terrorism but then chided it when reports began to surface that the Chirac government was conducting negotiations to head off new bombings.

pother factor that could influence next year's presidential election is the length of the presidential term. For the past decade there has been talk of reducing the presidential mandate from seven to five years to coincide with the term of the National Assembly. In January, Mr. Giscard d'Estaing said he believed Mr. Mitterrand would hold the referendum needed to change the constitution and reduce the

term during 1987.

Next year, Mr. Mitterrand will be 72 and the length of a fresh mandate could be a sezions election issue.

In general terms, some analysts say, Mr. Mitterrand would like to see the Chirac gov-extrement overcome its crises with himself retaining a fatherly overseer's role. If this hap-pens, and Mr. Chirac is able to go forward as the right's main candidate, Mr. Mittersand feels he can win another term.

If, however, Mr. Barre benefits from crisis

after crisis and puts himself forward as the man who can put France together again, the fight will be much more difficult. And, the sources say, if he thinks he will lose, Mr. Mitterrand is not likely to run.

Julian Nundy

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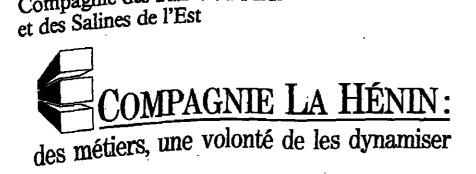
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Section 1

A

# Strikes Shake Confidence in Government's Reform Program

Political and business leaders describe the outlook for 1987 as mediocre.

By Axel Krause

ARIS — Until late December, the conservative government of Prime Minister Jacques Chirac approached the presidential election scheduled for next year fully confident that; despite growing opposition, it held a winning card - the French economy.

However, the three-week strike of publicsector employees that began Dec. 18 has raised new uncertainties about the economy's performance and the future actions of militant labor

French officials, deputies, business leaders and foreign diplomats interviewed in recent days said the strikes, along with rising oil prices and surging imports, have rekindled doubts about the government's ability to stimulate growth and substantially reduce inflation, while maintaining a strong franc and pursuing ambitious reforms.

Even Edouard Balladur, the minister of finance, economics and privitization, who has vigorously defended the government's record on reforms since the March 16 elections, conceded in an interview that the strikes were among factors that would have "important effects" on inflation, currently at about 2 per-

But he said he believed that the government's economic and political "difficulties" would be resolved within three months and that confidence would be restored.

Nevertheless, a mood of resignation about 1987 is reflected in recent polls and in private conversations with French political and business leaders and foreign observers, many of whom describe the outlook as mediocre com-

The December strike by railroad workers, while not the cause, certainly was a dramatic sign of the malaise now creeping into French political and economic life," a senior foreign diplomat in Paris said. "What comes across is that the Chirac government held the line on the wages [in recent negotiated settlements] but threw in the towel on Reagan-Thatcher-style reforms promised for the SNCF and other

Critics cited as an example the fact that Mr. Chirac, faced with a paralyzing strike of railroad and electricity workers, abandoned a controversial plan proposed by the SNCF, the national railroad, to implement a pay scale based on merit rather than seniority. The plan was the first step in providing the railroad greater flexibility in managing its 230,000 employees and, above all, in reducing costs.

Raymond Barre, the former conservative prime minister and a leading contender for the presidency, warned supporters in Bordeaux on Jan. 25 that "France is stagnating; the economy is no longer competitive, and that cannot

Mr. Barre said that new stimulative measures to restore confidence in the economy were urgently needed.

While Mr. Balladur has insisted that government policy is working successfully, particular-ly in reducing inflation and deficits and in privatizing companies and banks, many sources questioned the strength of the franc, export performance and the capacity of the economy to create enough jobs to dent growing unemployment. Government statistics abow that the jobless rate during 1986 rose 5.5 percent to a record 2.57 million, or 10.7 percent of the work force, notably among youth, women

Many observers, including the Organization for Economic Cooperation and Development, say that France's unemployment will continue to climb. The OECD and some private French forecasting firms recently predicted that the rate will rise to around 11.5 percent in early

1988, representing nearly three million people.

While Mr. Balladur insists that inflation will remain around 2 percent this year, most pri-vate French forecasting groups have revised their projections upward since the public-sector strikes to between 2.6 percent and 3 per-cent. The inflation rate in 1986, the lowest in several decades, was about 2.2 percent, down from 4.7 percent in 1985.

A key question bothering many government planners is whether or not France will be able to close the widening gap in economic performance with West Germany, the country's largest trading partner and closest ally in West

Not only is the German inflation rate currently at about one percentage point below zero, but France's chronic trade deficit with West Germany rose sharply last year to a record 39.6 billion francs from 28.6 billion francs in 1985. France also reported increased deficits with the United States, Italy, and East European countries, including the Soviet

"It is always the same story after a monetary readjustment: France tries to reset the clocks at zero with regard to Germany, but the gaps invariably worsen, in trade and inflation, commented Libération, a leftist daily, shortly after the Deutsche mark was revalued by 3 percent last month in a realignment of some European Monetary System currencies.

How Chirac's Reforms Have Fared Business: Privatization of industries, insurance companies and banks is approved; corporate tax rates fall; restrictions on layoffs are eased; social charges paid by employers are reduced; tax incentives are approved for stock-market invest-Ye5 Prices: Controls are lifted on manufactured products, but retained for items such as pharmaceuticals, books and taxi Subsidies: Government aid to industry is cut by one third, but support for farmers grows. Politics: Electoral reform and redistricting measures expected to benefit the large conservative parties in 1988 are Law and order: Police powers are expanded to fight terrorism. Visa requirements are strengthened Unemployment: Despite incentives to hire youth workers and create jobs, the unemployment rate has reached 10.7 Education: Proposed university reforms are withdrawn after mass protests by students end in violence. Public sector: Wage increases are held down, but an attempt to put some rail workers on a merit-based pay system is dropped after rail and transit workers strike. **Nationality:** Action to stiffen requirements for becoming a French citizen is postponed amid broad resistance. Any revised proposal is not expected to be presented to Parliament before September. The workplace: The Constitutional Council annulled a controversial proposal to ease rules on setting workers' hours,

but the government has vowed to submit a new plan to the National Assembly in the near future.

During the EMS negotiations, Mr. Chirac and Mr. Balladur adamantly refused to change the franc's parity within the EMS, even though West Germany had unsuccessfully urged a French devaluation of around 2 percent.

"There is no crisis of the franc, there is a mark crisis," Mr. Chirac said. Commenting after the readjustment, Mr. Balladur said that the parities established were

"solid and durable." But bankers were skeptical about the results. "It is safe to say this agreement won't hold for a full year," a senior official of one of West

Germany's largest banks said. "The French position was defensive and

Contributing to the uncertainty is a sense of resignation and indifference about the future cited by French business leaders. Many say that not much will change between now and the election next year. They add that, unless the government moves to stimulate the economy, there will be little if any chance of attaining its goal of 2.8 percent GDP growth in 1987. Most analysts believe that gross domestic product, the total value of a country's output of goods and services, minus foreign invest-

ments, will not exceed 2 percent, roughly double the expansion in 1985.

particularly in profits, but 1988 will not be terrific. It will be a year of consolidation," said the senior executive of a large, French multinational company.

He and other sources cited a survey of chief executives published in January by L'Expansion, a French publishing group. Asked about the six-month outlook, 57 percent said they expected no change, while 5 percent anticipated a worsening in economic performance.

"Few if any businessmen are upbeat ... if we get 2 percent, [growth in GDP during 1987] that will be fine, and better than zero," the executive said.

Mr. Chirac and several key ministers have tried to generate enthusiasm for their policies despite a string of setbacks. These range from the student riots of December to the Jan. 25 ruling by the Constitutional Council, which annulled a controversial legislative proposal that would have eased rules on workers' hours and that had received wide support from French business

"We will restart" preparations for a modi-fied law that will be submitted to the National Assembly shortly, said Philippe Séguin, the minister of social affairs.

"Our intention is to pursue our recovery plan ... when the moment comes, we will be judged by our courage and the results of our policy," Mr. Chirac said during a recent visit to the Alsace region in eastern France. "And we ask for nothing more."

Against a backdrop of slumping popularity for Mr. Chirac in polls, Mr. Balladur has emerged as the minister most admired by business leaders and bankers. In the L'Expansion survey, Mr. Balladur ranked first for "efficiency in his field," followed by Andre Giraud, the defense minister, Mr. Seguin, Mr. Chirac, and Alain Juppe, the budget minister. Michel Noir, the trade minister, was in ninth place.
"France is on the right track," Mr. Balladur

recently told the Anglo-American Press Association in Paris. "Our situation is improving. Responding to questions, the minister, who is viewed by many as a potential prime minister in a future conservative government headed by Mr. Chirac, emphasized that he was hopeful that recent cuts in corporate and income taxes would rekindle business confidence and, above

Mr. Balladur said he hoped that investments in productive capacity this year would rise by about 5 percent from 1986 levels, compared to a 4 percent increase last year and a 2 percent

Meanwhile, Mr. Balladur and his aides, who are drafting the 1988 budget, say they plan to accelerate cuts in government spending with a view to reducing the national budget deficit to around 2 percent of GDP from the current 3 percent. That would involve reducing the deficit to around 110 billion francs (\$18.3 billion). from 129 billion francs in 1987 and from 144 billion francs in 1986, the Finance Ministry

However, a key adviser to Mr. Barre said: "The government of Mr. Chirac is doing the



right thing and their goals are ambitious, but they still have a long way to go." He added that in 1981, the year the Socialists came to power ng Mr. Barre's tenure as prime minister. "the deficit was only 80.9 billion francs."

A recurring theme among Mr. Chirac's advisers is the absolute need to boost industrial productivity to improve the country's poor showing in export performance. Despite a greatly reduced oil bill caused by a weaker dollar, France reported a trade surplus of only 500 million francs in 1986. This was substantially below what the government had predicted and compares to a trade deficit of 30.7 billion francs in 1985.

Our entire policy is aimed at getting companies to improve their competitivity," said Mr. Noir in a recent interview, "We are getting our wage costs below Germany's and we are encouraging our businessmen to export more to West Germany, particularly in the industrial sector. But the German market is difficult. demanding, and many of our businessmen do not speak German."

Mr. Noir pointed to what he termed "an encouraging sign" — the fact that France for the first time in recent history substantially reduced its trade deficit with West Germany in sales of automobiles from about 10 billion! francs in 1985 to 2 billion francs last year. Thanks to Citroën and Renault mainly, we are doing better, which is an achievement," he

Another encouraging sign surfaced last Friday, when Mr. Balladur announced that France had registered a current-account surplus of 25.4 billion francs in 1986, its first since 1979. In 1985, the current account deficit rose to 1.5 billion francs, which measures both the nation's merchandise, as well as nonmerchandise trade items, such as services.

Trade in services posted a surplus of 37 billion francs, slightly below the 1985 level of 38.8 billion francs, Mr. Balladur and Mr. Noir

## **Dissatisfaction With Unions Grows**

By Brigid Phillips

ARIS — At the height of the Christ- Once the strike France's railroad system. Parisians huddled in winter weather waiting for an occasional bus or crammed into one of the few subway cars that was still running during a

Electricity workers across the country shut off the power. Postal workers slowed the mail service. And in the midst of those strikes, union leaders called for shutdowns in all public services. It seemed that the unions were holding the country for ransom.

In fact, France's labor trouble was even more disquieting for the unions than it was for the beleaguered government or the thousands of would-be travelers whose train never ar-

The strikes were sparked by a grass roots movement of railroad workers who were dissatisfied as much with the traditional unions as with their wages and working conditions. The walkouts were a critical threat to the future of unions in France.

The strikes began Dec. 18 when a group of Paris train drivers for SNCF, the state-owned railroad, staged a wildcat strike. Train drivers across the country soon set up independent strike committees — without the backing of unions -- and managed to choke service to 40 percent of normal. The drivers were angry at a proposal to base promotions on merit rather han semonty.

Management of the SNCF was forced to hastily begin negotiations that had been scheduled for January. The talks went badly, the strike action spread and union leaders were relegated to the sidelines, condemning striking

was under way, the unions could not manage to take control'

workers who succumbed to "biatant manipulation" that they claimed was designed to break

"The unions did not start the train drivers' strike. They never even saw it coming," said Yves Chaigneau, a labor analyst and member of the French Economic and Social Council. "Once the strike was under way, the unions could not manage to take control."

An analysis in the Paris daily Le Monde

added, "On top of the decline of organized labor the unions have already been facing, now union leaders will have to cope with a new phenomenon of spontaneous movements by workers." Unions have been losing members steadily

over the past decade and now claim only about 15 percent of the work force. As in many Western countries, French union leaders have watched their influence diminish as industrial jobs in traditional bastions of organized labor have been lost to new technology.

Young people are less interested in joining groups of any kind, and the growing number of

vomen in the work force have shunned unions. The unions have been unable to modernize either their structures or their rhetoric for a new generation of workers.

organized along ideological lines rather than job classifications, support is croding for left-

services that the unions retain their greatest strength. Among railroad workers, union membership is double the average level, at about 30 percent.

They said they were frustrated with the lack of success of "push-button" strikes — the daylong, limited work stoppages that the unions generally advocate. The solution of these train

for the strikes to expand to include workers in

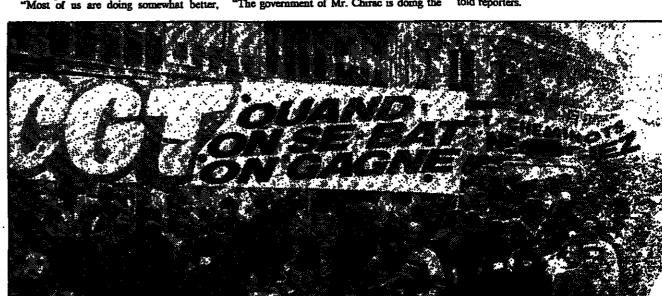
That effort fizzled in a dispute between the major unions over the wisdom of turning the strikes into a mass movement. Some union leaders felt they would lose public support for

unions as it is for the Communist It is in the state-owned industries and public

Yet, in December, the railroad workers were the first to challenge the unions with alternative organizations. They established parallel committees to watch over the shoulders of

official union negotiators, and in some cases, formed alternate structures and demanded to be directly included in pay talks. The renegades said they were protesting union leadership that served its own interests.

engineers was a relentless strike, longer than any that the unions have held since May 1968. Eventually, leaders of the principal unions recognized the strength of the countermove-ment and tried to claim some of the credit for the strikes' success. The Communist-led General Confederation of Labor, or CGT, led a one-day strike of all public services and called



French railroad workers demonstrating during nationwide strikes in January.

their cause; others thought such action would give the government an excuse to crack down on labor without addressing the real concerns

Instead, the strike movement dissipated in the second week of January. Strikers at the state-owned firms won some concessions from the government on working conditions and benefits. They failed to budge the government

from its ceiling of 3 percent on pay raises.

The next crucial test for the unions are the public-sector negotiations which are currently under way. In the opening days of those talks, teachers were already holding sporadic strikes to protest a government plan to add an extra level of bureaucracy in the administration of

Henri Krasucki, leader of the CGT, foresees more disruption. "The labor battles will get bigger and expand," he said recently. "What the railroad workers started is not over. When I say the wave is building, it is both a call and an observation. The movement is growing. Give it a bit of time and it will reach the private sector,

However, his prediction may be built more on wishful thinking than analysis. Labor analysts and many politicians believe that the unions would not dare hold an extensive strike of public services because, as one expert said, "everybody wants his son to become a public servant, but all Frenchmen hate public ser-

But even more serious, there is some doubt

about the ability of unions to rally workers to such sweeping action. They could not control the railroad workers in December. And polls confirm that traditional union organizations

have simply lost much of their appeal.

A recent survey showed that 51 percent of
French workers believe that unions do not reflect the needs or wishes of labor. That lack of credibility will make it difficult for the unions to resume their role as leaders of labor. "French unions are in a period of turmoil and it is not clear when or how they will

BRIGID PHILLIPS is a Paris-based journal-

emerge." Mr. Chaigneau said.

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# Paris Stock Market Outgrows Its Southern European Image

Paris is the one bull market left in Europe.'

By Vivian Lewis

ARIS - A French banker sums up the problems he has selling French stocks to foreign institutional investors, "Along with Italy and Spain, they think we are part of 'the garlic belt,' fast-growing but narrow, high-risk stock markets where settlement is uncertain, commissions are high, insiders are in control," said Gérald Guelton, deputy director of international securities for Bar-

clays Bank, S.A.

As Mr. Guelton spends a lot of his time explaining, this is an unfair characterization of the French Bourse. It is neither as risky, nor as insider-ridden, inefficient or results of foreign investigation of foreign investigation of foreign investigation of foreign investigation in Britain or the case in

Japan are listening to Mr. Guelton and his colleagues and are beginning to take Paris more seriously. It is above all due to their nave done so well. The markets rose by just under 60 percent in 1986, according to the stockbrokers' association, the Compagnic des Agents de Change (CAC), more than quadruple the level at the end of 1981.

A British financial

A British financial analyst, Roger Hor-nett, of brokers James Capel, remains bull-ish on Paris in 1987. "Paris is the one bull market left in Europe," he said. "The others have run out of steam. In other markets bad news will be responded to more dramatically than in Paris. "Erring on the side of caution, I would

not be surprised if the Bourse rose by at an eye on takeover bids and new issues to least 25 percent in 1987." According to the French daily Le treated alike Greenmail, involving corpo-

Monde, Capel most closely predicted the rate stock repurchases at above-market

The Booming Bourse

French law provides for prosecution and penal sanctions against those who trade in stocks on the basis of privileged information, and successful suits have been brought in court by the Commission on Stock Market Operations, a body simi-lar to the Securities and Exchange Com-mission in the United States. It also keeps try to make sure that all shareholders are londe, Capel most closely predicted the rate stock repurchases at above-market prices to prevent takeovers, is not allowed.

While rising stock prices are the key to The highly regulated French system also

New issues, mostly of smaller firms on the second marché, and capital increases by French companies have broadened their

and trading of shares and other invest-

French fixed commissions are high by international standards, in particular for block trades, but institutional investors in practice can negotiste with brokers for a reduction of up to 70 percent of fixed commissions. Then, too, orders originating abroad can avoid the French transaction tax. Because about 20 French blue chip shares are quoted in foreign markets (London, New York, Frankfurt), they can be traded by institutions with international-scale commissions.

Mr. Guelton's bank, the French subsidiary of Britain's Barclays, is preparing to revolutionize French markets by offering from Paris instant telephone quotations at low negotiated commissions for 40 addi-tional stocks, including several from the attractive second marché, which are not now internationally traded. Through an offshore subsidiary, it will act as specialist in these shares and hold open positions to make deals, something undercapitalized French stockbrokers cannot do.

If all goes according to plan, in the spring, with the support of the Ministry of the Economy and Finance, French Barclays will have undercut the monopoly of the French stockbrokers' association.

Because of the "dematerialization" of French stocks in late 1985, when share certificates were discontinued, delivery and settlement conditions are among the most modern in the world. Other risks of a French investment will soon be reduced when the Paris futures market (le Matif, or marché à termes des instruments financiers) opens trading in stock options later this year. The institution of longer trading hours for block dealing in large-capitaliza-tion stocks also helps cut risks, and more shares will be traded all day in 1987.

One major risk of buying French shares remains foreign exchange losses. This was undersocred by the effective devaluation of the franc in the European Monetary System last month. Protecting against currency risk is difficult from within France because of exchange controls. Actually, in the last three years, for investments based in dollars or pounds, the franc has risen in



Bidding for shares on the booming Paris Bourse.

markets, as have special tax advantages to middle of the student protests in early encourage small investors. A new plan will December, because, as Mr. Homett recounts in the United states.

In recent weeks, further investor interest has been stimulated by special conditions favoring purchase by small investors of formerly state-owned companies, such as Saint-Gobzin and Panbas, and the animore competitive internationally, thereby nouncement of another set of densitionalizations of other well-known French banks and industrial companies, such as Sogneal, CCF, Compagnie Générale d'E-lectricité and the TF1 television network.

In 1986, investors did well in Paus, use market's average performance was third in Europe, following Milan and Madrid. Most of the market's increase took place in the period up to the election of Prime followed closely by the paper industry. The retailing sector came in third. In 1986, investors did well in Paris; the barely gaining ground. Politics have a lot to do with the way French markets behave, but not always in the way one would

encourage French investors to invest in marked, the French markets bresh of funds for their retirement similar to the news that would cause other exchanges to tax-deductible individual Retirement Acstrikes by railroad, Métro and electricity

> adding to their profitability. Mr. Hornett estimated that corporate

profits rose 45 percent to 48 percent in 1986, and will probably rise by 22 percent to 28 percent in 1987. The country's gastrosomic reputation is a clear plus for foreign investors. Food was

VIVIAN LEWIS, a Parts-based financial journalist, is a regular contributor to The Banker and the International Organizations

# For Chirac, New Political Challenge Is His Image

Continued from page 5

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international borders you enter a territory

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brought charges from both the left and extreme right of "laxity."

The promotion clause was quick- country's transport system over

part of its drive against inflation.

With the rail strike, in which the ranks of what are called "the ment's image. many nonunion engineers took new poor" are steadily increasing. part, causing havoc, other parts of the public sector also staged paral-

A one-day strike called for Jan. 6 peratures took hold. in the public sector lasted for nearly a week and added electricity cuts

demands left unsatisfied, lost momentum on Jan. 12 after demonone-day stoppage on Jan. 27. strators marched through France's cities, calling on the strikers to go

Then Mother Nature stepped in,

public-sector salaries in 1987 as money to buy food. With unemtion to working and social condinary citizen.

Hurrying to burnish his social Mr. Chirac visited a center for the homeless as sub-zero tem-

Later in January, teachers protesting, among other things, a new reform that would give elementary joined the list of strikers, staging a

For former Prime Minister Raymond Barre, the government's while insisting on holding down problems were due to an "over-wages is behind the uncaring im-dose" of reforms, a desire to go too age.

ly withdrawn, but the strike, which lasted a total of 26 days, continued to back demands for more pay and better working conditions.

The rail strike disrupted the country's transport system over At issue as far as pay was concerned was a ceiling of 3 percent immosed by the everyment on all immosed by the everyment of the return to normality, solutions to the problems that one occupy the French, especially un-employment.

Mr. Chirac held two meetings with occupy the French, especially un-employment.

Mr. Chirac held two meetings with occupy the French, especially un-employment.

Mr. Barre, the most fervent critic of the experiment in cohabitation and the most likely presidential candidate for the experiment in cohabitation and the most likely presidential candidate for the experiment of the experiment o ployment over the 10 percent mark, tions would improve the govern-

> "Firmness should not exclude the possibility of dialogue," Mr. Barre said at the height of the rail

by former President Valery Giscard d'Estaing under whom both Mr. Chirac and Mr. Barre served as

Opposition critics say that the government's haste to carry out new economic and fiscal policies

Speaking in Alsace, eastern France, he anaconced a new plan on Jan. 26 to reduce youth men-

But he stayed away from neigh boring Lorraine where, two days later, storekeepers closed their shutters and workers blocked roads in a general strike called to protest the lack of government plans to attract new industry to replace jobs ost in the area's failing coal mines.

The same week, Mr. Chirac promised to give new life to social dialogue and offered to meet the leaders of the main trade unions to iscuss their concerns.

He had earlier been criticized as being the first French prime ministernot to consult with the unions in his first months in office. His aides replied that the unions had not

sought a meeting.
At the beginning of February, more trouble loomed as teachers planned new stoppages and as talks with the government on public-sec-tor wages broke down over union demands for indexation to counter

inflation in January would be around half a percentage point.
The government target for all of 1987 is to keep inflation down to

1.7 percent.
Meanwhile, the students' coordination committees, set up during their strikes and protests of November and December, announced that they would meet again in March to consider their future role. Some commentators expect them to join with the teachers to protest reforms in the schools. Analysts of the social scene say

that the cycle of one-day stoppage will probably continue, especially in sectors where attempts have been made to change workers' pro-

In addition to Mr. Chirac's social worries, the threat of terrorism, which presented him with his first real crisis, still hangs over the coun-

Eleven persons died in a series of bombings in Paris last September. The explosions were claimed by a group demanding the release of Georges Ibrahim Abdallah and two other Middle Eastern prisoners held in French jails.
Mr. Abdallah is dae to go on trial

this month for complicity in the murders of a U.S. military attaché and an Israeli diplomat in 1982. French officials fear that the triel could be followed by a resurgence of terrorist attacks.

What the next few months being for France will be crucial for Mr.

Unless he can cool the social atmosphere and go into the presidential elections with a successful overall record behind him, most analysts predict one of two op-tions: a new administration headed by Mr. Barre or even a new cer left coalition with Mr. Mitterrand remaining for a second term in the

### CRÉDIT COMMERCIAL DE FRANCE THE STAR OF THE 1986 FRENCH MUTUAL FUND CHALLENGE



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# PERSONAL INVESTIN

## Cash Keeps **Tokyo Afloat**

T IS THE KIND OF ARGUMENT that routinely works its way through the marketplace when analysts exhaust the seemingly more plausible reasons to explain a rally. And this time is no different. Now that the Nikkei index has passed 20,000 in defiance of Japan's somber economic prospects and a market price earnings multiple approaching 50, experts are once again talking about the excess liquidity that drives the Tokyo Stock Exchange.

Japanese institutions, so the argument goes, are flush with cash and, in the absence of better investment alternatives, have been pumping money into the stock market at an alarming rate. It is reckoned that more than 20 trillion yen (about \$135 billion, at current exchange rates) in fresh funds flowed into the market last year, an even more startling amount considering that foreign investors were net sellers of Japanese securities in 1986.

Tokkin funds account for the biggest chunk of new investment. These giant funds, which invest surplus corporate cash, have grown enormously thanks largely to the reluctance of Japanese companies to embark on capital spending plans because of the economic slowdown. It is even suspected that the proceeds from recent corporate borrowings in the Euromarket are being funneled directly into the Tokyo market until the Japanese economy displays more vigor.

"If you can't generate income from normal opera-tions, you naturally look elsewhere," says Paul Aron, vice chairman of Daiwa Securities America, a subsidiary of the big Japanese brokerage. He estimates that large Japanese companies are deriving about one-half of their pretax income from the stock market.

FILE SUCH LIQUIDITY is necessary to sustain a rally, whether it is a sufficient reason to investment in Japanese stocks is another matter.

"Our experience is that it has been a relevant argument, even with the multiples so high," says Jacob Van Duyn, head of research and capital management for the Robeco group of funds in Rotterdam. Adds Laura Luckyn-Malone, who manages the Japan Fund, a closed-end fund listed on the New Vall.

York Stock Exchange: "You can't fight it."

Such money managers say that the sheer weight of money will continue to sustain Tokyo's rally. The Bank of Japan's relaxed monetary stance, which has resulted in bond yields of just 4.5 percent, will likely continue, they note. Moreover, Ms. Malone says tax reform this year will probably climinate the exemptions on certain popular deposit accounts. Much of this cash is likely to flow into Japan's mutual fund industry, she says.

Wellman, who manages Alliance Capital's Interna-tional Fund in London, has reduced the Japanese portion of his \$170 million portfolio to 20 percent from 35 percent a year ago.

"If Japanese companies suddenly have a drain on their profitability, there won't be a surplus of funds and you could see a big correction," Mr. Wellman says. He adds that the problem with a liquiditydriven market is that it is "not forecastable."

Indeed, some adherents of the liquidity argument admit to concern about the unpredictability of the market. One disturbing sign that liquidity may be getting out of hand, Ms. Malone says, is the heavy volume in seemingly uninspired issues such as Nippon Steel, whose outlook is anything but upbear.
"Liquidity is a creature of confidence," she says.

"Therefore, it can evaporate easily." John Meeban The New Look in Limited Partnerships

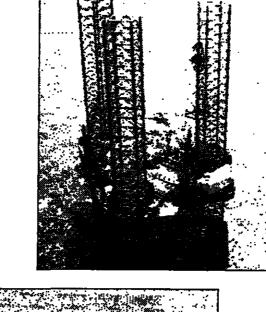
Oil Drilling: A Stalwart

As big oil companies unload assets at steep discounts, oil and gas partnerships are once again gaining popularity. This oil platform in the Gulf of Mexico is part of Apache Offshore Investment Partnership, a \$225-million program sponsored by Minneapolis-based Apache Corp. Minimum investment was \$7,500.

**Equipment Leasing** For Diversification

Equipment leasing is part of the diversi-fication from the real estate partnerships that have long dominated the industry.

These railroad cars are owned and leased by PLM Equipment Growth Fund, a \$120ion limited partnership sponsored by PLM Financial Services Inc. in San Fran-cisco, which also owns commuter aircraft, tractor-trailers and freight containers.





**Breaking** New Ground: **Big Time Sports** 

Investors concerned about liquidity are paying close at-tention to the growing num-ber of master limited partner-ships. Owners of the Boston Celtics recently reorganized the basketball team as a MLP, selling a 40-percent in-terest to investors for about \$52 million. Average annual yields are projected at 6.5 percent.

# Partnerships That Trade Like Stocks

**NVESTORS CONCERNED over liquidity but** tempted by the benefits of a partnership might consider master limited partnerships, which are gaining popularity. As William Turchyn Jr., a senior vice president at E.F. Hutton & Co., notes: "MLPs walk and talk like a public offering of common

Master limited partnerships made their debut in 1981, when Apache Petroleum Corp. rounded up 33 of its older oil-drilling partnerships and exchanged their tmits for shares in a single, public limited partnership that trades on the New York Stock Exchange. While Apache shares plummeted, because of declining oil prices, the idea caught fire.

Spurred by obvious tax advantages, a spate of publicly owned corporations have converted to MLPs. Whereas the federal government taxes corporations twice - once on company revenue and again on dividends paid to investors — a partnership is taxed only once, at the investor level. Thus, some well-known companies, including T. Boone Pickens's Mesa Petroleum Co., have made the switch.

Master limited partnerships have spread to real estate in recent years in a third form that enables Pillsbury Co., for example, last year wrapped up 128 of its Burger King restaurants into an MLP, for which the public paid \$92 million at \$20 a share. In a similar deal, owners of the Boston Celtics are selling a 40 percent

interest in the basketball team for \$52 million. Finally, MLPs are being used for new ventures, particularly in cable television. Prime Cable Income Partners is raising money to buy cable stations. But these deals start out as partnerships and will take a

these deals start out as partnerships and will take a couple of years before they are listed on an exchange. During 1986, the industry's fifth year, 24 new MLPs appeared on the market, raising \$2.5 billion, according to Robert A. Stanger & Co. While the majority are in oil and gas and real estate, other areas, including minerals and equipment leasing, also have caught on.

Some analysts deride MLPs as a long-term investment gussied up to attract investors who value liquidity and lower risk. That, they say, belies the nature of the partnership investment.

Further, the stock market is likely to value the assets differently from their appraised worth. "When you are investing in an MLP that is in real estate," says Fuhrman Nettles, Stanger's vice president, "you expose yourself to the vagaries of both the real estate market and the stock market."

A final concern among investors is that MLPs will not survive the scrutiny of Congress or the Treasury Department. The government is concerned that this new form will result in a major loss of corporate tax

"The market is getting saturated with MLPs," says William G. Brennan, publisher of Brennan Reports. "I don't think Congress will tolerate it. At the rate it's going, what's to prevent GM from being an MLP?"

U.S deal makers are stressing income and looking abroad for new investors.

By Alex Barnum

N THE PAST FIVE YEARS, Lawrence D. Menconi Jr., a co-owner and vice president of a successful graphic arts company in Des Plaines, Illinois, has become a more sophisticated investor. Emboldened by the fast growth of his company, Mr. Menconi has dabbled in some pretty risky investments: apartment buildings, oil wells and silver mines.

But now that the Tax Reform Act of 1986 effectively eliminates tax shelters from the U.S. tax code, Mr. Menconi is changing his strategy. "Twe taken more of a conservative posture," he says. "Now I'm looking into profitable things with more emphasis on cash flow, not tax shelters."

Mr. Menconi's attitude is not uncommon among investors who bought tax shelters. Until last year, investors in the United States could purchase interests in limited partnerships, which invest in everything from real estate to motion pictures, and count on immediate tax write-offs against their income.

But with the loss of tax shelters, partnerships are shifting their focus to income-oriented programs that produce immediate returns and away from deals in which the major attraction was the huge tax advantages. "Everyone is designing partnerships to produce current income," says William G. Brennan, publisher of Brennan Reports, a tax and investment planning newsletter.

This could broaden their appeal. Already, partnership sponsors are casting eager eyes at overseas inves-tors who have generally steered clear of partnerships in recent years because of a tax theme that seemed better suited to U.S. investors. "'Limited partnership' is not something that rolls off the tongue of the European investor," acknowledges Charlynn Goins, who manages foreign offerings for Integrated Resources Inc., a \$2.1 billion financial services company in New York.

The hope is that foreign investors will find the new offerings hard to pass up, especially now that some partnerships are being packaged exclusively for them.

Coupled with overbuilding in real estate and low

prices in oil and gas — the principal areas of partner-ship investment — the loss of tax shelters has tightened the belt on the industry. This year, investors are expected to pour \$13.4 billion into partnerships, compared with a record \$19.1 billion only two years ago. according to Fuhrman Nettles, vice president of Robert A. Stanger & Co., a Shrewsbury, New Jersey, investment research firm.

Despite some major casualties, such as the foundering of the \$3 billion empire of Craig Hall, a Dallas real estate syndicator, most partnership sponsors are adapting Faced with declining demand for these investments and a strong stock market, they have reduced commissions and front-end fees and created new ways of financing and structuring deals.

"A lot of the private syndicators are obviously in big trouble," says David B. Levinson, a tax partner at the New York law firm of Rogers & Wells. "But this new marketplace is more efficient. The fees are less and returns are up. What you're seeing is the effects of real economic competition."

Nevertheless, the basic advantages of a partnership investment remain the same. By pooling resources, a

Continued On Page 10

BOURSES

## A U.K. Market For Ventures

By Jeff Ferry

OR TWO HUNDRED YEARS, British business survived happily with only one stock exchange. Then in 1000 ness survived happily with only one stock exchange. Then in 1980, the Thatcher government set up the Unlisted Securities Market to encourage the growth of small companies. Now, just seven years later, the Third Market, for still smaller companies, is in

The new market is essentially the London Stock Exchange's response to the government's new regulatory system for the securities industry. The rules put forth by the recently founded Securities and Investment Board are expected to cripple, possibly even kill, Britain's over-the-counter market, informal trading in the shares of around 200 small companies that cannot or choose not to seek a

Although the OTC market has grown, it has been dogged by scandals. Dealers have gone bust, and investors have lost money. The new Third Market, set up by the LSE with some of the same safeguards that exist in the larger markets, is an effort to create a respectable environment for investment in small companies.

"The full stock-exchange listing," says John Aarons, the LSE's assistant director of policy and markets, "is for companies with a five-year track record. The USM requires three years. The Third Market is for companies with only a one-year record." The market will even accept companies that merely have a sound business plan, provided there is a well-researched product and an expectation of good cash flow in a reasonable period of time. Of the eight companies that began trading in the Third

Market on Jan. 26, only Unit Group, which makes timber pallets, was never traded before. Others, such as Catalyst Communications, a publishing and marketing company, and Aberdeen American Petroleum, an oil explorer and producer, have been traded on the OTC or under special provisions of the slock-exchange rules for small companes. Exchange officials hope to have at least 100 companies listed by the end of the year.

"They are all relatively stable and good-quality compa-ies," says Ted Awty of the accounting firm Peat Mar-nies, "says Ted Awty of the accounting firm Peat Mar-wick, "who want capital either for development or for acquisitions." A typical Third Market company, Mr. Awty says, is likely to have annual profits of £300,000 to £500,000 (about \$450,000 to \$750,000, at current exchange rates) and a market capitalization of £3 million to

But there is no mistaking the much higher risk involved in Third Market companies. "The USM," Mr. Awty says,



is not a quarter as risky as this. This is a high-risk, highreward opportunity, in a well-regulated environment."

Rory Tapner of the London brokerage firm Rowe & Pitman says small investors will have to study the companies very carefully.

"I'd be looking for something fairly well asset-backed," he says, "with an established management who have at least one or two well-known names on their board of directors."

For a small company, the new market represents an alternative to venture capital. That may have advantages for the company, but potential disadvantages for investors. Indeed, London analysts say it is inevitable that a significant number of the young companies that come to the Third Market will go bankrupt.
"A venture capitalist specializes in offering financial

advice, supporting or even replacing management when necessary," says Andrew Davison, managing director of County Development Bank. "The Third Market doesn't offer the continuing support a venture capitalist can give. "Investing in young companies can be very rewarding," he adds. "We've made returns of 30 percent a year. But that's with a diversified portfolio of over 200 compa-

nies, and years of experience of dealing with companies in growth phases." The LSE's answer to the problem is to require the broker sponsoring a company's entry to the Third Market to take a keen interest in the company's affairs. And a lot will depend on how the sponsor's obligations work out in practice over the coming months. Some venture capitalists doubt that brokers will take a continuing interest on

the necessary scale.

By and large, though, the venture capital community is welcoming the Third Market. Besides offering competition, the new market provides an exit route for venture capitalists when they want to reduce their holdings in a company. It is also seen as a source of positive publicity for small companies with the investing public.

OR THE BRITISH TAXPAYER, a major attraction is that investments in a Third Market company are eligible for tax deduction made the Tax my are eligible for tax deduction under the Business Expansion Scheme. BES allows an individual to deduct up to £40,000 of an investment from his taxable income, provided the investment is held for five years. Analysts see the BES as a major selling point for the Third Market However, the five-year obligation may create problems for some.

"Liquidity will undoubtedly be the main problem," Mr. Awry says. "The market will be small, and the amount of equity in each company will probably be less than 50 percent. We'll probably see rapidly fluctuating prices. I expect buying will be O.K., but it might be difficult always to sell at a price."

The OTC market has had liquidity problems. Roger Myers, chairman of Theme Holdings, a restaurant group that now trades on the Third Market, said he found that his company's shares on the OTC "were about as tradeable as the Polish zloty." Experts hope that participation by the market-makers of the larger, more professional brokerage houses will improve the situation on the Third Market.



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# The Thorny Issue of Brokerage-Customer Disputes

The Supreme Court will decide whether clients always have a right to sue.

By Phil Roosevelt

New York
ITH CUSTOMER COM-PLAINTS against stockbrokers on the rise, the U.S. Supreme Court takes up a case next month that could dramatically reduce the avenues of recourse available to disgruntled investors.

Until now, brokerage clients claiming fraud under federal securities laws generated under federal securities laws generated their cases.

ally have been able to pursue their cases either in court or before arbitration panels run by U.S. stock and options exchanges. But Shearson Lehman Brothers is challenging that notion, arguing that clients who sign certain account agreements common among American brokerages are limited to arbitration. Many attorneys argue ited to arbitration. Many attorneys argue that these hearings are unfair to investors. The Supreme Court review stems from a 1984 lawsuit filed by Engene and Julia McMahon of Yonkers, New York, alleging that a Shearson broker secretly shifted them from stocks into risky options contracts, eventually losing at least half their \$450,000 life savings as well as money carmarked for employees of their funeral-home business. Shearson insists the case belongs in arbitration not court.

belongs in arbitration, not court. "If Shearson wins, it will mean that you probably can't open a brokerage account without giving up your federal rights to a jury trial," says Norman Poser, a professor at Brooklyn Law School. He adds that the outcome will affect customers of Ameri-

country of residence.

The issue arises at a critical time, for Wall Street's explosive growth during the 1980s has been accompanied by mounting customer complaints. Last year, the U.S. Securities and Exchange Commission received 16,091 complaints about brokers, up 130 percent from 1982.

can brokerages regardless of nationality or

Regulators and lawyers say that cus-tomer claims of "unsuitability" — where the broker recommends an investment in-



Eugene and Julia McMahon sued their broker after losing money in options.

the most common, along with misrepre-sentation, unauthorized trading and 'churning," where the broker trades mainly to generate sales fees.

In perhaps the most startling broker in pernaps the most starting stoker case of recent years, Leslie Roberts, a 24-year-old E.F. Hutton broker, pleaded guilty last week to making hundreds of unanthorized trades in his great-uncle's account, running up at least \$8 million in losses and commissions. More recently, the daughter of the founder of Wang Lab oratories filed a lawsuit against Dean Wit-ter Reynolds, alleging that a broker's un-authorized trading in stock-index options led to losses of \$3.5 million in six months.

Brokerages describe the rising complaints as a natural reflection of market growth. "More individuals enter the mar-ket, so complaints go up," says William Clark, a spokesman for Merrill Lynch.

But at the same time, doubts persist mong investors about the competency of U.S. stockbrokers, who now number more than 72,000, thanks in large part to the extended market rally. Some experts suggest that heightened competition among Wall Street firms is putting new pressures on brokers to make sales and pull in commissions regardless of customer needs.

"No matter how much expertise a broker may claim to possess, he is at root a

appropriate for the investor — are among salesman," says David Robbins, former the most common, along with misrepre-

Eager to avoid legal costs and unfavorable publicity, brokerages usually try to resolve disputes privately, offering a set-tlement if the broker is wrong.

And the houses do take steps to keep complaints from arising in the first place. At Merrill Lynch, as at most other major firms, branch managers review their bro-kers' accounts on a weekly basis to check for abnormal trading, and that system is backed up by centralized compliance staffs capable of tracking all accounts, says Mr. Clark, the Merrill spokesman.

Stock and options exchanges look over the shoulders of brokerages, routinely in-specting practices at their member firms. The SEC also monitors sales practices. But neither the exchanges' nor the SEC's investigations will directly result in compensation for aggrieved investors. For tomers who are unable to settle privately with their brokers, the main choice has

While the Supreme Court ruled in 1985 that investor claims under state laws belong in arbitration, the justices left open the question of fraud claims under federal securities law. Now the court will tackle that issue in the case involving Shearson. Shearson's attorney, Theodore Krebs-

been arbitration or court.

bach, says the firm is confident it can defend itself from the McMahons' charges, which include unsuitability, misrepresentation and chorning. The brokerage, however, has repeatedly argued that agreements signed by the McMahons when they opened their accounts require that the dispute be resolved, not in court, but in arbitration.

The Shearson customer agreements are similar to those required by a number of other U.S. brokerage firms, but most lower courts have ruled that such agreements are unenforceable when federal fraud claims are involved.

The issue in the McMahon case is whether investors have a choice in how to redress wrongs or perceived wrongs," says Stirling Lathrop, a Haverford, Pennsylva-

XACTLY HOW the Supreme Court will rule remains to be seen. But certainly the McMahous are facing formidable opposition. Siding with Shearson is the SEC and the Securities Industry Association, the main trade group for the brokerage community.
"In essence, it's a David versus Goliath

theme," says New York attornsy Theo-dore Eppenstein, who represents the Mc-Mahons with his wife, Madelaine. Lawyers on both sides agree that the value of the current arbitration procedure

is likely to be the focus of the court's review. Exchanges appoint panels of three to five members that include broketage officials as well as businessmen and attorneys who have no direct ties to the securi. ries industry. Fact-finding procedures common in courtrooms are used sparingly, decisions are never put in writing and there is practically no way to appeal.

All of this is supposed to provide speed-icr and less costly dispute-resolution than is afforded by courts. Indeed, while the waiting list for hearings can be up to nine months, hearings are often concluded in just one day, and claims of under \$5,000 can be resolved by mail.

Mr. Krebsbach, the Shearson attorney, maintains that "the advantages of arbitration are the same for customers as they are for us." The SEC, too, says arbitration is fair, arguing besically, that fairness is casured by SEC oversight.

Despite such claims, advocates of investigations.

tor rights have a different opinion. The general feeling among the bar is that an investor with a big case is playing against a stacked deck when he goes into arbitration," says Sheldon Elsen, head of the American Bar Association's task force on

He and other lawyers argue that arbitration fact-finding procedures can make it all but impossible to obtain the brokerage documents needed to build a case. And while brokerage officials never make up a panel's majority, critics fear that these officials are inclined to protect their indus-

try colleagues at the expense of customers.
In response, Edward Morris, director of arbitration for the New York Stock Ex. change, points out that about 50 percent of all cases result in some kind of award to customers. He declines to describe those awards, however, saying only that he has seen them range from \$20 to \$5 million.

Reservicess of the outcome of the Supreme Court case, a number of experts predict that the renewed focus on arbitration will lead to some long-discussed reforms. Chief among these is to divorce the process from the exchanges, which are essentially owned by the brokerages that

make up their membership.

Meanwhile, some lower court judges are delaying broker-client cases until the Supreme Court acts. The justices are slated to hear arguments in March, and a decision is expected to take about three months. Then there are the McMahons, now in

the third year of a legal battle that has

gone as far as any case can go. "It just seems to be dragging on," Mrs. McMahon says. "We thought it would have been concluded a long time ago."

## The Focus of Partnerships Shifts

Continued On Page 9

partnership offers investors a direct stake in a major project — a shopping center, an oil well or even a basketball team — without the responsibility for managing it. Investors can have income - or losses to shelter other partnership income — during the program's life and a substantial capital gain when the program is resold or refinanced.

But, by the same token, the disadvantages are also apparent. These investments are usually complex, often risky and generally lack the regulation of other investments. such as stocks. Tales of abusive and frandulent deals abound. Furthermore, they require large invest-ments over long periods and have heavy penalties for bailing out.

Partnerships are creatures of state laws and regulations vary accordingly. Generally, most states require syndicators to file a prospectus that outlines a deal's risk. In addition, public partnerships must be registered with the U.S. Securities and Exchange Commission, although regulations are not as strict as those for stock offerings.

Typically, a limited partnership is composed of limited partners, who put up most of the money, and a general partner, who organizes, manages and, through a broker, markets the program. General partners charge fees ranging from 12

value at the outset and often receive from 10 percent to 25 percent of the profits from resale or refinancing. The big payoff is expected at the end of the deal, about 10 years in real estate.

These investments generally fall into two categories: private and public. Private partnerships, which include most tax shelters, usually have no more than 35 partners who are willing to meet a minimum investment requirement of at least \$50,000. By contrast, public partnerships seek many more investors, be as low as \$5,000. Although private partnerships

will be most affected by the tax change, some sponsors have long been managing income-oriented deals and have little to fear. One such company, Brookhill Group, a New York-based firm that manages mostly commercial properties in unedium-size cities, offered investors a stake in a shopping center in Manchester, New Hampshire.

Beginning in 1984, Brookhill raised \$2.1 million for the project, South Willow Properties, from 28 investors who paid \$75,000 each.
Brookhill bought the properties
outright and quickly raised rents,
thus increasing the deal's cash flow from 3.5 percent at the outset to 11 percent annually. The deal repre-

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nancing methods, in which 60 percent borrowing would have been

immediate cash flow," says Ron Bruder, Brookhill's president. "We stopped doing higher leverage place isn't oriented that way." But while investors feel more comfortable with less borrowing, he adds, the potential for greater apprecia-tion that it generates is also lost. "Basically, it's a trade-off."

Such deals support the notion that, despite new mass marketing, partnerships remain the province of the wealthy investor. Indeed, federal law requires partnership prospectuses to include "suitability rements," such as minimum ammal income and net worth. These rules vary widely according to a deal's risk, from \$25,000 in income and \$50,000 in net worth for public deals to as much as \$200,000 in income and \$1 million in net worth for a private deal.

OR MOST partnerships, Mr. Brennan, who advises individual clients on these matters, says investors should have minimum annual income of \$100,000, a net worth of at least \$400,000 and some diversity in equtities and fixed-income invest-ments. The typical investor, he says, is "looking for more diversity and higher cash flow and willing to afford more risk."

As the public market has taken hold, the admission price has begun to drop. For example, Integrated Resources offers investors a stake in High Equity Partners, which owns three shopping centers, one process of altering the structure of

sented a departure from earlier fi- office building and a bank. The minimum investment is \$2,500.

Following the trend in financing.

High Equity Partners has no debtand thus pays investors current income. Integrated Resources projects a 10 percent average an return over the 7-to-10-year life of percent acquisition fee and a 6 percent annual management fee. And in its first foray into international markets, the company is offering the partnership for a minimum \$10,000 investment to West German and Swiss investors as well.

By far one of the more ambitious programs aimed at attracting foreign investors has been launched by Southmark Corp., a Dallas company that manages \$3.5 billion in 317

Focusing its marketing efforts on West Germany, where potential demand is greatest and the savings rate is high, Southmark is hoping to raise \$20 million for two shopping centers, in Panama City, Florida, and Camarillo, California. So far, only \$2 million has been raised from investors. These \$10,000 in from investors, whose \$10,000 investment is expected to yield 7.5 percent annually at the start of the even-year program.
But Southmark expects to raise

the balance by September. In addi-tion to legal and regulatory barri-ers, says Richard D. Spence, president of the company's international division, Southmark has found investors reluctant to get into projects that have very little lity. The key, he adds, is establishing a good broker-dealer net-work, which Southmark has done through Instag, a firm in Cologne, West Germany.



its program to give foreign inves-tors greater anonymity. Soon, says Mr. Speace, investors in the partnership, Southmark International Income Partners, will own securi-ties in a Netherlands Antilles corporation that in turn will invest in the American real estate. The securities will pay a minimum 7.5 percent interest, producing the same yield as a partnership unit, he says. Compared with other invest-

ments, real estate limited partnerships have done well. A study by San Francisco-based Liquidity Fund shows that before-tax average annual returns for partnerships were 12.5 percent between 1973 and 1985. During the same period, the Standard & Poor's 500 Stock Index rose 6.4 percent and long-term corporate bonds were up 3.9 percent. Indeed, during periods of high inflation, real estate was the only investment with a positive rate of return, the study found.

"Over a period of ten years, real estate will bail you out of most of the economic cycles," Mr. Nettles

Still, real estate experts say that, because of overbuilding, attractive investments are few and far between. Says Richard Katcley, executive vice president of Real Estate Research Corp. in Chicago: "It is difficult to find properties that are producing cash returns. If you can get 9 percent today you are doing extremely well." What market strength remains, he adds, is in industrial and retail properties in the Northeast and California.

While real estate accounts for 60 percent of the parmership market, numerous deals still can be found in oil and gas, traditionally the sec-ond-largest sector. Despite the dechin-largest sector. Despute the de-cline in cil prices, some investment advisers are enthusiastic about this market. Says William F. Kovacic, a financial planner in Hickory Hills. Illinois: "Now is the most oppor-tune time to invest in generate." tune time to invest in energy."

Many of the major oil compa-nies, says Mr. Kovacic, are unloading good drilling sites to increase cash flow, offering them at onethird and one-quarter cost. He sug-gests developmental drilling pro-grams are safer and more incomeproducing than exploratory

Because of restrictions on for-

eign ownership of federal oil land however, some questions remain about whether foreigners can hold these investments. While many do, says Theodore Borrego, a partner at the Dallas law firm of Johnson & Swanson, "there has never been a probably would not be permitted if foreigners owned a controlling interest," he says.

The third popular area for part-nership investment is equipment leasing. In these deals, partners buy into assets, such as machinery, trucks or computers, that are leased to corporations. Benefits are primarily in the income generated from these leases.

In one such partnership, PLM Equipment Growth Fund, which owns and leases transportation equipment, investors with a minimum \$2,500 investment can ca a 10 percent average annual distribution, according to the offering. When the partnership is ended after 10 to 12 years, however, the equipment is likely to have depreciated in value, Mr. Brennan explains. Brokers do not always point

this out, he cautions.
One feature of partnerships that cares off many investors is their lack of liquidity. Says Mr. Levin-son, of Rogers & Wells: This is the kind of investment you buy and

Nevertheless, a substantial socondary market has grown up, offer-ing investors a way out of these investments. Firms that buy partnership interests include Liquidity Fund, MacKenzie Securities and the Partnership Securities Ex-

But when units of a partnership are sold before their maturity, there is likely to be a large discount from asset value. For an income-producing, public partnership, investors are likely to lose at least 35 percent of the value of their program, Mr. Nettles says.

With such large discounts and the continued interest by investors to unload partnerships before their manning, the secondary market may have some of the best partner. ship values, reasons Mr. Breman.
Partnerships managed by reputable sponsors are available through the secondary market, he says. You might be able to get a good buy. "I

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USA

# **Closed-End Fad:** Some Stars Have Stumbled

By Cynthia Catterson

New York MONG the hottest initial public offerings of were closed-end Investors snapped up about \$4 billion of such offerings in the United States, the greatest surge of new closed-end funds since the 1920s. By the end of the year, though, the market was having trouble digesting the new issues and their performance was suffering

Some buyers were no doubt beguiled by heavy marketing and the reputation of the funds' sponsors, who included big-name money managers and newsletter authors such as Mario Gabelli, Martin Zweig and Charles Alimon. By the time December rolled around, discouraged investors looking for tax losses sold their closed-end shares. Says Calvin Puckett, president of Simms Capital Management: Once the bubble burst, the funds all dried up.

Mr. Zweig says he had expected the year-end setbacks to cool the , market for a while. "But the funds seem to have bounced back, and new issues have already announced, so I'm beginning to change my mind," he says.

In mid-January, Merrill Lynch offered the \$1.3 billion Duff & Phelps Selected Utilities Fund, which invests in equity and fixedincome securities of the public-utilities industry. Oppenheimer & Co. plans to launch a \$100 million issue dubbed the Quest for Value Dual Purpose Trust. Such offerings can pay well for underwriters, ho carn as much as three times the commission for selling new issues over existing funds.

Still, some market watchers view the Duff & Phelps issue, the largest closed-end entry ever, as the beginning of the end for the latest wave of these funds. Thomas J. Herzfeld, a Miami, Florida, adviser who specializes in closed-end funds, says investors would probably do better to look beyond the new entrants to more seasoned issues in this sector.

\* Chartest

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Mr. Herzfeld notes that the share prices of many of last year's closed-end offerings quickly soured to stiff premiums over their thet asset value - the value of the imderlying portfolio divided by the number of shares outstanding According to Mr. Herzfeld, last year's new issues typically sold at an average premium of 7 percent for the first three months after coming to the market, then dropped to an average 8 percent discount within the following three months.

"There was a lot of money lost

by initial investors, and money made by those who came in later,

Followers of closed-end funds -so called because they maintain a fixed number of shares - generally look for issues trading at a discount to their net asset value, on the principle that the investor gets more bang for the buck and stands to gain if the discount narrows as the market perceives the undervalued situation. The accepted view is that funds trading at a premium should be avoided unless there is a compelling reason to expect the issue to surge.

Even at these discounts, Mr. Herzfeld is steering clear of many of last year's issues. Instead, he is focusing on some special situa-tions such as the Emerging Medical Technology fund, managed by AMA Advisors, an affiliate of the American Medical Association.

#### "People are buying designer funds, like people buy designer clothes."

The fund invests in the development of medical products and services. It trades at about \$13.875, a 7 percent discount to its net asset value. Mr. Herzfeld attributes the discount to the relative obscurity of the fund, which trades on the American Stock Exchange and has no active sponsorship among brokers. Mr. Herzfeld would be a buyer when the discount reaches 10 percent.

Another Herzfeld favorite is Baker Fentress, which manages an extensive blue-chip portfolio with the goals of long-term growth and moderate income. He notes that the officers of the management company own a substantial portion of the fund's equity. The manent tends to buy back shares then the discount widens to more than 15 percent, he says. Baker Fentress sells on the over-thecounter market at about \$45.50, a If percent discount to its net asset

Monitoring the movement of playing the sector. Discounts can just as easily widen as they can narrow, with negative consequences for returns. Specialists gest that investors track the fund they are considering for a while and wait until discounts are no less than 5 percentage points wider than the average discount of the fund before buying.

meling from the drop in the Aus-Indeed, there can be cases when

The Italy Fund is one example

of a fund issued last year that has

swung to such deep discounts that Mr. Herzfeld senses opportunity.

The fund, which invests only in

Italian securities, has moved from

a premium of more than 40 per-

cent in last March to a discount of

about 23 percent, he notes. Anoth-

er "single country" issue he finds

attractive is the First Australia

Prime Income Fund, whose premi-

um has eroded since it took a pum-

a premium need not be a deterrent. The Korea Fund, managed by Scudder Stevens & Clark, is an example of an issue that still enjoys strong demand despite a stiff emium. It has been one of the few vehicles available for foreigners to invest in the South Korean market, although a EuroKorea Fund is reportedly being readied for launch on the London Ex-

The Korea Fund's premium has ranged from 30 to 100 percent of its net asset value since it was launched at a 13 percent premium in August 1984. "The high premium primarily reflects investors' confidence in the current industrial boom in Korea," Mr. Puckett notes. There has been talk of the fund's value tripling within the

Some analysts belive the opti-Linev cate the instability of the Korean government and question whether the strong growth. Even if these worries prove unfounded, Mr. Puckett says, premiums could plunge as the Korean government follows through on plans to open the market to foreign investors during the

## How Funds Get Locked In

NE of the attractions of buying a closed-end fund with a hefty discount has typically been the possibility that management might decide to go "open-

This means the fund would be turned into a mutual fund, whose prices mirror their net asset values. In that event, investors who bought the fund at a discount before it "opened" would reap an immediate profit, being able to redeem their shares at net asset

Traditionally, shareholders fed up with persistently deep dis-counts could try to muster enough votes to force the fund to liquidate, change management or become open-ended to protect their investment. Indeed, institutional investors in Britain have put more

performance pressure on hind managers there to maximize share values or face what is called "unitization" in British parlance.

But many of the newer American funds now carry anti-takeover provisions in their bylaws and charters designed to frustrate any effort to buy up the shares at a discount with the aim of forcing changes on management. These provisions have the effect of putting most of the decision-making clout in the hands of the manag-

Thomas J. Herzfeld, an investment adviser who specializes in closed-end funds, says closed-end are like ships without lifeboats.

save their money if the fund starts to turn sour," he says. He recom-mends avoiding funds with anti-

funds that have such restrictions "There's no way for investors to takeover provisions unless they are trading at extremely wide discounts.

Of the new issues that do not include such provisions, Mr. Herzfeld sees the First Financial Fund as a likely candidate for reorganization. The fund, which was issued last May, is one of five that invests in regional banks and thrifts. All five funds have gone to wide discounts of about 18 percent.

However, First Financial is the only one that does not have antitakeover provisions in its charter. In addition, the fund is managed by Wellington Management, which also runs the Vanguard group of matual funds. That factor, he believes, is likely to weigh heavily in favor of First Fmancial's reorganization.

Cynthia Catterson

#### Disappearing Premiums OCTOBER 1986 **JANUARY 1987** Net Asset Premiun Zweig Fund Martin Zweig Gabelli Equity Trust Cypress Fund Mitchell Hutchins Asset Management Global Growth & Income Fund First Boston Asset Management Worldwide Value Lombard Odier

Nicholas Bratt, the Korea Fund's president, concurs that premiums will gradually shrink as other means of access, such as the EuroKorea Fund and convertible bonds issued by Korean compa-nies, provide alternative foreign investment opportunities. But he still expects the fund's price to climb. Premiums may narrow, but the net asset value and the share price will be higher," he

NOTHER USEFUL exercise is to compare how a imd stands in relation to other funds with similar assets and objectives, Investors who did so last year might not have been so enamored with the offerings by U.S. investments stars, suggests Mr. Hazfeld.

People are buying designer funds, like people buy designer clothes," he asserts. "There are plenty of qualified managers who are not in the limelight, who have records that are just as good, but their funds are not selling at the

Mr. Herzfeld says it is often useful to compare U.S. closed-end offerings with similar issues listed on the London Stock Exchange. where the different investment cli-

Growth Stock Outlook Trust, a fund managed by Charles Allmon, a highly successful adviser and newsletter author, was launched in the United States at \$10 a share, a 7 to 8 percent premium to its net asset value. About the same time, on the London Stock Exchange the Edinburg American Assets Trust, a closed-end fund of comparable makeup and strategy, was selling at a 21 percent discount for \$1.60 a share.

By January, however, the preium on Growth Stock Outlook Trust had turned into a 10 percent discount as the share price dropped to \$8.83. The shares price of the Edinburgh fund, which is managed by Ivory & Sime, had climbed to \$1.87 and narrowed its discount to 18 percent.

One London-listed fund that

Mr. Herzfeld recommends is London Trust, which specializes in venture capital projects in tech-nology. Managed by the San Fran-cisco-based firm of Hambrecht & Quist, it is selling at about a 35 reent discount to its share price of just under \$1. He says the fund gives investors a means to participate in venture capital while main-

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THE TRADER

## A Renewed Fascination With Warrants

By James C. Boland

New York HE ALLURE OF STOCK WARRANTS - rights that allow investors to buy common shares for an extended time at a fixed price - tends to rise and fall with speculative fervor. The game offers both big rewards and high risks. Indeed, many holders of warrants have done quite well in the recent Wall Street surge. But not all warrant holders have struck gold; many issues covered by warrants are smaller, obscure companies bypassed by the bullish crowd. Stock options, another speculative play, have done much better on average.

However, in some ways, warrants are often more attractive than options. While both represent a right to buy stock at certain prices, the longest life of a listed option is nine months. Many warrants have years to run, enabling an investor to place a relatively low-cost, long-term bet on a company.

When the bet is successful, a warrant payoff like an option payoff — can far exceed the returns on the related common stock. In the last year, ICN Pharmaceuticals, which trades on the New York Stock Exchange, ran from \$10.25 to as high as \$34. rants, which entitle the holder to buy the common at \$9 through May 1989, shot from \$4.25 to \$26.25. The gains: 231 percent for the stock, 517 percent for

Of course, the volatility sword can cut both ways.

By the end of January, ICN common had fallen about 28 percent from its peak, to \$24.50, while the warrants had sagged 39 percent, to \$16. And that was a modest drop compared with the routs in some other warrants tied to falling stocks.

The warrants on MCI Communications, which enable the owner to buy the common at \$27.50 until August 1988, have traded as low as 6 cents in recent weeks, as the stock drifts just over \$6. For the warrant, that is a loss of more than 99 percent since 1983, when the stock topped \$28.

The market in warrants is a bazaar of unique and sometimes puzzling creations. They are usually issued by lesser-known companies as part of financings to lower interest rate costs or raise equity sale prices by offering investors a kicker. Many warrants are issued by companies whose stocks are not covered by options.

A warrant may give the holder a right to buy a full share at a certain price, or a partial share. The exercise price may change at various dates, \$8 until 1988, for example, \$9 after that. Some warrants may be called back by the company at certain prices before expiration. Expirations may be extended or other terms adjusted. In addition, stock bought by some warrants can be paid for with boads, preferred stock or another senior security of the issuer, at face value. If such securities are trading below par, this can create a discount in the effective exercise price.

"You are buying them for leverage, looking for more bang for your buck," says Allan S. Lyons, executive editor of Value Line Convertibles, a survey covering convertible securities, including about

95 actively traded warrants. Warrants, on average, are three and a half times as volatile as common stocks, according to Mr. Lyons, but "only one-third as risky as the typical option." The difference is largely a product of the differing lifetimes of the securities - in theory, infinite for a stock, years for a warrant, and months for an option.

Mr. Lyons looks for "favorable leverage, where the warrant will move up faster than it will go down on equal moves in a stock." Usually, such favorable leverage can be found in an inexpensive, but longlived, warrant on a stock trading not far below the

"If the stock goes up 10 percent, the warrant may go up 100 percent." Mr. Lyons says. "But if the stock goes down 10 percent, the warrant may only go down 40 percent." This is because investors will pay something for the warrant on the chance the stock will recover.

As an example, Mr. Lyons cites the warrant on Clabir Corp., a small holding company trading at about \$7.625 on the NYSE at the end of January. The warrant, quoted at about 69 cents on the American Stock Exchange, enables the owner to buy a share of Clabir's Class B common at \$9.34 until July 1991. However, using Clabir's \$3.31 preferred stock in payment cuts the effective exercise price to \$7.85, just about the common's current level.

"On a 25-percent rise in the stock, we calculate the warrant would go up 175 percent," Mr. Lyons says. "On a 25 percent drop, we think the warrant would go down only 35 percent."

Warrants on three interest-sensitive Big Board

issues were cited recently by Value Line Conver-

ibles as timely buys: • The Federal National Mortgage Association (Fannie Mae), exercisable at \$44.25 until February 1991, trading over the counter at about \$14.50.

versus \$42.25 for the common; Mortgage and Realty Trust, good for 1.5 shares at \$20 a share until January 1992, trading at \$3.13 on the American State of the

the Amex, versus \$22 for the common; • Student Loan Marketing Association (Sallie Mae), exercisable at \$100 until August 1991, trading over the counter at \$13.75, versus \$72.75 for the

But Sidney Fried, editor of the RHM Survey. which covers warrants, options and low-priced stocks, described warrants on Fannie Mae and Sallie Mae as "just trading vehicles," lacking the spectacular leverage of a low-priced warrant. Indeed, Mr. Fried finds that the 500 issues his 25-year-old service monitors are overpriced as a group.

The play in warrants comes when a market turns down sharply and warrants go down to pennies. Mr. Fried said. "Then, if there are enough years left in the warrant and the company survives, you can get some tremendous leverage. The real play is great

Mr. Lyons said that warrant premiums appear to be relatively higher now than those on options. reflecting speculative interest.

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#### STRATEGY

#### **Merchant Banks: The Ardor Cools**

Market Scoreboard

#### Scandal and competition cloud their propects.

RETT talks about shares in Britain's merchant banks these days, it is with a subdued tone that contrasts sharply with the excitement that surroun the sector last year. "The outlook is for a flat year," says Hoare Govett Ltd.'s banking analyst. "There are no buys for now."

This negative view is fairly common in London's financial dis-trict. Rolled by scandals and faced with an uncertain profit picture, most analysts have been warning their clients to tread warily among merchant banks in the months

Of immediate concern to many experts is the adverse publicity being generated by the Guinness PLC affair and speculation about Morgan Grenfell & Co.'s possible involvement in a stock-manipulation scheme. Most analysts expect the scandal to dominate headlines for some time and the prospect of a steady stream of revelations has made many cautious of the sector

Christopher Davis, an analyst at L. Messel & Co., fears that merchant banks that have little interest in the merger and acquisitions ess at the heart of the current scandal "may be dragged down in this bloodletting."

Indeed, the tougher takeover disclosure rules issued late last month have already taken a toll on

Merchant banks, most notably Morgan Grenfell and Hill Samuel Group PLC, have been the focus of takeover talk for some time. Many analysts felt foreign investors were especially interested because of what were perceived to be undisclosed assets and the key position of merchant bank's in London's financial industry.

But it is widely feared that the new regulations, which require in-vestors to disclose their share dealings after acquiring more than 1 percent of a company involved in a takeover, will frighten potential suitors away.

At the same time, analysts have deep reservations about the earnings potential at several banks. Merger and acquisition activity is expected to be down sharply this year now that many of the big deals are completed. Moreover, they say the fallout from the Guinness affair may further diminish

There is no shortage of messages from the authorities that (the merchant banks] should play the game fairly or see an SEC-type of regulatory body," says Hoare Govett's Mr. Barrett, referring to the U.S. Securities and Exchange

Stocks on the New York, London and Tokyo exchanges that

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1	Percent Gain	Price Jan. 30		Percent Loss	Price Jan. 30
New York Stock Exc	hange:				
Compiled by Media General Fla	nancial Ser	rvices, Prices	in dollars		
Southwest Forest	74	31.13	Fisher Foods	26	10.38
First Capital Holdings	66	24.75	Fischbach Corp.	20	20.88
Franklin Resources	50	49.63	Wells Fargo Mortgage	20	22.6
Pope & Talbot	48	34.00	Arkansas Best Corp.	17	22.1
Mattelinc.	47	12.13	TDK	15	40.7
General Datacomm.	47	11.75	Circle K Corp.	12	14.13
Carter-Wallace	46	109.75	Fabri-Centers	12	10.3
Computervision	45	19.38	Far West Financial	11	12.3
Computer Assoc. Int'l	44	39.50	Knogo Corp.	11 10	20.1
Keystone Consol.	42	10.13	Republic New York		51.5
American Stock Exc	hange:	•			
Home Shopping Network	105	38.00	Wherehouse	17	11.7
Entertainment Market.	63	11.63	American Fructose B	15	10.7
Datarex Systems	60	10.63	Fur Vault	12	10.6
Gulf Canada	55	17.63	Everest & Jennings	12	12.5
Penn Traffic	53	31.25	National Healthcorp	10	15.8
Over the Counter:	_		<del></del> -		
Northwestern States	86	10.25	Endotronics	49	10.5
NEECC Inc.	85	12.50	Commonwealth Banc.	26	24.5
Continuum Co.	80	16.25	Home Federal Maryland	25	10.5
Braintree Savings	73	22.00 -	Hauserman Inc	= 22.:	:14.7
Quincy Co-op Bank	72	27.25	Highland Superstores	21.	13.7
London Stock Excha	inge:				•
Compiled by Morgan Stanley (	Capital Inte	rnational. Pric	ces in pence.		
BSR International	38	113	Pearson	7	573
Tricentrol	34	91	ASDA-MFI Group	6	14
United Newspapers	31	478	Burton Group	6	26
Hili Samuel	29	516	Int'l Thomson	5	64
Assoc. Newspapers	29	526	Impenal Continental	4	58
Metal Box .	26 25	. 226 380	Hammerson Property	4	44
Courtaulds	23	623	Dixons Group Simon Engineering	665444222	30° 29
De Beers Lex Services	23 23	349	Standard Chartered	ร	77

BSR International	38	113	Pearson	7	573
Tricentrol	34	91	ASDA-MFI Group	6	146
United Newspapers	31	478	Burton Group	6	267
Hıli Samuel	29	516	Int'l Thomson	5	647
Assoc. Newspapers	29	526	Impenal Continental	4	585
Metal Box	26	. 226	Hammerson Property	4	445
Courtaulds	25	380	Dixons Group	4	307
De Beers	23	623	Simon Engineering	2	290
Lex Services	23	349	Standard Chartered	2	779
Glaxo Holdings	23	1.291	Hambros	Ž	243

Tokyo Stock Exchan	ge:				
Compiled by Morgan Stanley	Capital Inte	mational. Prid	ces in yen.		-
Long Term Credit Bk.	69	18.300	TOK	20	3.090
Sanwa Bank	63	2.440	Matsushita Commun.	20	2.720
Bank of Yokohama	62	1.640	Omron Tateisi	20	1.240
Taiyo Kobe Bank	61	1.200	Jeol	19	728
Bank of Tokyo	60	1.490	Fanuc	19	5.180
Sumitomo Trust	55	4.190	Kokusaı Electric	18	1.660
Kyowa Bank	54	1.180	Makita Electric	18	1.170
Fúji Bank	49	2.770	Toyoto Motor	17	1.830
Nippon Steel	47	249	Japan Radio	17	1.040

Commission. "The general impression is that the hostile merger-takeovers will fade from the

Hokkaido Takushoku Bk.

The prospect of lost revenue comes at a particularly bad time for many of the merchant banks, which have seen competition increase and overhead soar because of the "Big Bang" of deregulation. On average, some analysts expect 1987's earnings to be about half of last year's gain.

Merchant banks have had to bolster their securities research and trading departments, often paying significantly higher salaries to attract and keep talent.

At the same time they have seen the dominance in London's capital markets come under pressure

notably from the United States. Analysts say this is especially true in the fixed income market, where dealings in British government bonds, or gilts, had traditionally generated comfortable earnings. "It was always a question on

from a number of new players

people's lips as to whether there is enough profit to go around," Mr.

enough promit to go around," Mr. Barrett says. "Everyone said they would tough it out. Well, now they are toughing it out."

Despite the distinctly bearish outlook, analysts still expect some merchant banks to emerge relatively unscathed. John Tyce, an analyst with Lsing & Cruickshank, likes Schroders PLC and its successful fund management business. successful fund management busi-

He also gives high marks to Schroders's decision to sell its U.S. subsidary and life insurance interests and invest in Wertheim & Co.,: a U.S. brokerage. Mr. Tyce forgsees possible earnings at Schroders of £30 million in 1987 (about \$45 million, at current exchange rates) compared with an estimated £19 million last year.

Messel's Mr. Davis, meanwhile s paying attention to merchant nks that are not overly dependent on M&A activity, such as Hambros PLC.

"Whatever their high profile and varied interests," he says, "at the end of the day they are still

John Mechan

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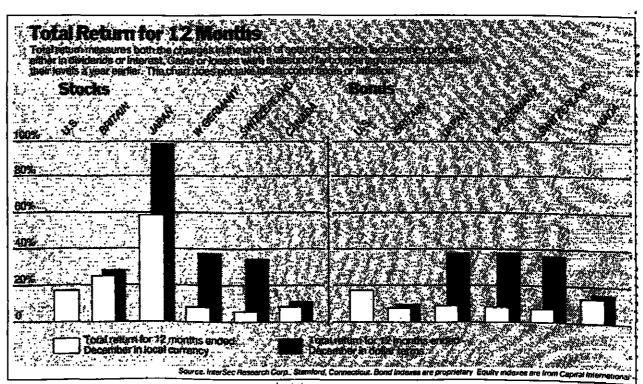


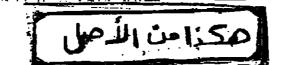
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3	13	23	33	43	3	13	23	33	43		1	32	3/2.	43	3	13	23	33	43	3	13	23	33	43	3	13	23	33	1
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## Frenzy for Dollar Looked Overdone by Week's End

By CARL GEWIRTZ

International Herald Tribuna

ARIS - The dollar was back in favor last week, carried ARIS — The dollar was back in rayor last week, calling higher by a wave of euphoria that put the worst of America's economic problems in the past tense. The mood was set by a batch of positive economic statistics indicating a quickened pace of activity—the leading indicators index up 2.1 percent, nonfarm employment up 480,000—coming on top of the Jan. 30 report of a decline in the U.S. trade deficit for December to \$10.7 billion from November's \$19.2 billion.

That narrowing, much bigger than expected, ignited hopes that the 17-month long slide of the dollar, which had been gathering speed since the beginning of this year, had finally reached a level

that would significantly re-duce the trade deficit. The Japanese were clearly impressed by the trade figures. Traders were also convinced that the dollar's failure to drop below 150 yen had made that a stable floor. And they

economic statistics should be bad news for the bond market.

Better U.S.

reports that U.S. Treasury officials, who had been talking the dollar down, now agree with Federal Reserve officials about the dangerous inflationary impulses that would be set off by further devaluation.

Whether this means they feel that the dollar has declined enough or whether the depreciation simply needs to come in smaller, more cautions doses remains to be seen. But the reported Treasury-Fed accord gave the foreign-exchange market a signal

The Japanese were big purchasers, in part to pay for their purchase of a large slice of the 30-year bonds auctioned by the U.S. Treasury last week, and in part to repay dollars that had been borrowed to finance earlier purchases of dollar securities.

Those borrowings had eliminated the exchange risk for Japanese investors. But now, with the dollar looking cheap, the Japanese began to unwind these hedging operations and sold year to buy dollars to pay off the loans.

S THE DOLLAR soured through levels that traders considered important "resistance points," the dollar's appreciation began feeding on itself. Money that had been invested in Dentsche mark bonds moved out, locking in as much of the profit as could still be had from the currency's recent appreciation, adding more lift to the dollar.

But by the end of the week, it was all looking a bit overdone. The statistics indicating a buoyant economy may be good for the stock market, but should be bad news for the bond market, as they preclude a further cut in interest rates and might signal a faster pace of inflation.

In addition, although the Treasury and the Fed may now see eye to eye on a need for more exchange-rate stability, it does not follow that either is prepared to see the dollar appreciate so long as economic growth in West Germany and Japan remains in the doldrams. Faster U.S. growth and an appreciating dollar will mean a widening U.S. trade deficit and increased domestic pressure for protectionist trade measures.

lmage

The ebullience in the international capital market was best demonstrated by the flood of currency contracts giving investors options to buy dollars at fixed exchange rates.

No two contracts were alike. Three were to buy dollars at a fixed rate of exchange in marks. Citibank's two-year options, priced at \$39 each, were at an exchange rate of 1.82 DM per dollar. Swedish Export Credit used an exchange rate of 1.79 DM and priced its 18-month options at \$39 each and five-year options

Corp., Merrill Lynch and Citibank. SBC sold two-year contracts at \$36.20 to buy dollars at 1.6 francs. Merrill's five-year options, offered at \$50 each, set an exchange rate of 1.567 francs, while Citibank's five-year contract fixing a rate of 1.55 francs was offered for 84 Swiss francs.

DG Bank sold 18-month options to buy British pounds at a - fixed rate of 2.74 DML

The most obvious option, yen against dollars, was strangely missing until Royal Bank of Canada announced its intention to offer two-year contracts to buy or sell yen. The call contract, indicated at \$34.50, is to give holders the right to buy \$500 at 155 yen. The put, to be priced at \$36.50, will entitle holders to sell \$500 at 145 yen.

Other banks that had been knocking at the door of Japan's Ministry of Finance for permission to use the currency this way were taken aback and suspected that Royal Bank had failed to seek approval. Thus, there was some question whether the bank would be forced to withdraw its proposed offering on Monday. As far as economists are concerned, the only point in common with all these options is that they are expensive. Looking at

See EUROBONDS, Page 15

#### Last Week's Markets

All figures are as of clase of trading Friday

Stock Indexe	_	Money Rates		
United States Feb.		United States	Feb. 6	Jan. 30
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		Federal funds rate	6	6 5∕1é
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DJ Trens. 924.18		Japan		
, S & P 100 258,73			3	3
_SIP500 200.04	274.06 + 218 %	Discount	-	_
5 & P Ind 314.21	308.36 +2.57 %		44	4/10
NYSE Co 159.93	156.11 +245 %	3-month interbank	45/16	45/16
		West Germony		
Artiula			5	5
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FT 36 1,506.90	1411.00 +471 %	Call money	3.95	430
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#### Currency Rates

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A STANSON LANGE (FRANCE

## To Cure 'Capitalist Vice,' Cuba Applies Austerity

By Joseph B. Treaster

HAVANA - Last spring, Fidel Castro discovered that a garlic farmer was making \$50,000 a year by privately selling what he had left over after meeting his quota for the state agriculture

A little later, Cuba's 59-year-old leader came across another farmer who had bought two trucks to haul fruits and vegeta-bles. He was making \$150,000 a year, 30 times what the Communist government pays a surgeon.

Mr. Castro, who preaches socialist equality with the fervor of a Bible-belt evangelist, soon found that many farmers, truckers and brokers were making big money supplying produce and meat to the scores of private farmers' markets that he himself had initiated in 1980 to stimulate production and to reduce food

He was stunned. His revolution, now in its 28th year, was being deformed, he said. Cuban Communists were behaving like 'capitalists in disguise."

Not only that, the revolutionary work ethic that Castro and Che Guevara trumpeted in the early days of their victory over the Batista dictatorship seemed to have vanished.

At state-run factories and farms throughout this island of 10 million people, personnel ros-ters were bloated and workers were putting in only four or five hours a day. Even where production and quality were dismal, many managers were giving bonuses and some workers were drawing double salaries.

A ring of physicians employed by the state was caught selling

**EC Ministers** 

To Discuss

Currencies

done to stabilize the dollar.

BRUSSELS - European Com-

munity finance ministers meet here

Monday to discuss currencies, with



Fidel Castro at a meeting of the Nonaligned Movement.

faked health certificates that permitted early retirement for \$1,500 each. One artist earned \$180,000 selling his paintings to government institutions, but apparently

had done nothing illegal.

It was "generalized vice." Mr.
Castro said. In anger, he shut down the thriving farmers' markets in May, even though they seemed to have nearly ended the shortages of produce and meat that had been so common in Cuba in the 1970s.

The stalls are still standing, but the farmers have been replaced by state employees selling fruit and vegetables at what are now government markets.
"Before, the variety was great-

said a woman shopping at one of the markets on the eastern edge of Havana on a recent Sunday. "Today they had bananas but not the kind you cook. Lettuce and carrots didn't come in at

A teacher in his late 20s said that the private farmers should not have been making so much money. "But they were solving a very serious problem," he said. "It was good for the people."

seen farmers and their wives in a store in Havana that sells expensive appliances and luxury items, she said, and she resented them. Within weeks after closing the

farmers' markets, Mr. Castro halted his other major venture into capitalism: private home ownership, including the right to build one's own home.

The goal of the program, which lasted a year, had been to satisfy a yearning among Cubans for title to their state-owned houses and apartments and to rid the government of huge maintenance costs. But some people, Mr. Castro said, were "getting rich," buying, selling and trading homes.

Those who did buy homes pre-sumably will be allowed to keep the homes or pass them on to other family members, but will only be able to sell them to the

state, at government-fixed prices. The clampdown in Cuba has come as other Communist countries have eased restraints on entrepreneurship. The Soviet Union, for example, said recently that it was considering allowing the private operation of some res-

China has thousands of free markets that sell everything from farm products to used motorcycles. And 80 percent of the res-taurants opened in China in the last nine years are privately

Against such a backdrop, Mr. Castro's disapproval of too much individual wealth may seem old-

"No one was born a revolutionary," the Cuban leader told a munist Party congress. "We

See CUBA, Page 17

#### The manager of an office in Murdoch Rival for HWT Steps Aside

billion Australian dollar (\$1.54 bil-Times Ltd., Australia's largest mebuy a television station.

major economic powers still appar-ently split over what should be John Fairfax Ltd., a Sydney-based media group, dropped its 2.5 billion dollar bid for HWT early The meeting is routine, but EC Saturday, HWT's chairman, John Dahlsen, announced after a doch, Mr. Dahlsen said. officials said much of the discussion was likely to focus on turmoil lengthy board meeting.

in foreign-exchange markets He said the decision followed an caused by the sliding dollar. The dollar's fall has set off spec- sell HSV-7, a Melbourne TV sta- month after Mr. Murdoch agreed ulation that the Group of Five tion, to Farrfax for 320 million dol- to sell him the Melbourne station lars. The station had earlier been and another HWT subsidiary for promised to the multimilionaire Robert Holmes à Court as part

But last week Fairfax sparked an leading industrial countries would

meet soon to seek an agreement on shoring the dollar up and stimulating world economic growth. Rumors of an impending meeting were a major factor behind a tions in Sydney and Brisbane. rebound in the dollar in the latter

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oversubscribed, the government tion of the issue.

part of last week. The Belgian finance minister, Mark Eyskens, who will chair Bank Holding Companies Feel Fed Pressure Monday's session, has repeated a call for a meeting.

But the five, the United States, Japan, West Germany, France and Britain, appear to be divided over how useful it would be.

Mr. Eyskens' call is likely to be strongly supported by France, a staunch advocate of greater inter-

national monetary cooperation. But West Germany and Britain are known to fear that a meeting could fail, and make currency mar-

kets even more jittery. Bonn is also widely believed to be skeptical about any formal accord with the United States after a tices for refusing to pump \$1.2 mil. Fed chairman, Paul A. Volcker,

U.S.-Japanese agreement last year lion of fresh capital into a said it was the central bank's posito stabilize the dollar-yen rate subsidiary, the State Bank of Alliproved largely ineffective. son, according to Hawkeye's presiprime role was to protect the banks Monday's discussions are likely dent, Paul Dunlap.

to be complicated by Italy's demand that any meeting should be declined to comment. The farm recession has caused trative hearing next at the level of the Group of Seven, which includes Italy and Canada. Fed demanded, the parent compasserious problems. The company lion into the bank.

said Saturday.

The sale of BA shares "has been a resounding success," Transport Secretary John Moore said. The

offer closed Friday.

million were on offer.

Market analysts had said the MELBOURNE - Rupert Mur- Fairfax offer had little chance, dedoch seemed certain to clinch a 2.3 spite its higher value, because it depended upon courts ruling in the lion) takeover of Herald & Weekly company's favor on several points.

Mr. Murdoch's company, News dia group, after the only remaining Corp., had already been promised rival bidder agreed this weekend to more than 50 percent of HWT's step aside in exchange for rights to shares by the time Fairfax made its bid on Jan. 21. News now controls more than 60 percent of HWT.

Fairfax, publisher of the Sydney Morning Herald, will drop all legal action aimed at blocking Mr. Mur-

Mr. Holmes à Court withdrew agreement by the HWT board to from the competition for HWT last

lion dollars for another HWT tele-

Washington Past Service ny probably would have been has had \$115 million in loan losses WASHINGTON—The Federal forced into bankruptcy, although in the past 30 months.

As of the end of January, 17 U.S.

Many of the troubled banks are

whether to grant three big bank

it owns. Banks take precedence

The farm recession has caused

eclined to comment. The farm recession has caused traive hearing next month and still Had Hawkeye done what the Hawkeye, an agricultural lender, is demanding that it put \$1.2 mil-

Reserve Board apparently is at-tempting to establish the principle that bank holding companies must instead, the bank was closed by

be forced into bankruptcy.

The central bank has charged rate continued, 1987 would be a

U.S. banks hope to be allowed owned by holding companies. to deal in securities. Page 17. At hearings last Tuesday on

A Federal Reserve spokesman over nonbank affiliates, he said.

Iowa's Hawkeye Bancorp with un- record year for bank closings.

support their ailing bank subsidiar- state regulators last week.

ies even if it means the parent will

Trading in the shares, priced at £1.25 (\$1.90), starts Wednesday.

The £900 million sale of the

state-owned airline to the private

vative government of Prime Minis-

vision station in Adelaide and four radio stations. The offer topped by 10 million

dollars the price Mr. Holmes à Melbourne station. HWT's other properties include 15 newspapers.

Market sources said Mr. Holmes how much. Court and Mr. Murdoch had

American interviewer that News Corp. would probably sell its tele-

vision interests in Australia and concentrate on print media. Under Australian law, he noted,

"I cannot be an American citizen and actually control [Australian] television stations." Mr. Murdoch was born in Aus-

settlement to drop out of the HWT auction by offering HWT 270 mil-bidding. Fairfax already owns sta-lion dollars for HSV-7 and 115 mil-1985 so that he could acquire television stations in the United States.

Hawkeye spent most of 1986 re

negotiating the terms of about \$100 million in debts. Mr. Dunlap said

an agreement was reached Dec. 16

and that the Federal Reserve ap-

proved the restructuring, which

provided for the parent to pump \$500,000 into the Allison bank.

million, the holding company would have been in violation of the

financial agreement, Mr. Dunlap said. He said creditors would have

demanded immediate payment of

outstanding loans to Hawkeye, pushing it into bankruptcy.

The Federal Reserve has ordered

Hawkeye to appear at an adminis-

Had Hawkeye put in the full \$1.2

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#### **Funds for New** Airbus Series By Warren Gerler LONDON - Britain appears set to become the first European nation to offer financial support for a needs is uncertain." In its last application for govern-

U.K. Aides Back

new generation of Airbus Industrie The move, according to senior

British trade officials, would be in part a "backlash" against com-plaints by U.S. officials last week about large government subsidies to Airbus aircraft. Geoffrey Pattie, Britain's trade

minister responsible for aerospace, said Sunday in a telephone interview that the Department of Trade and Industry "is in a position to make British Aerospace an offer of financial support for the new generation of Airbus jets, the medium-range A-330 and the long-range A-340.

British Aerospace PLC has requested £750 million (\$1.13 billion) in aid from the British government to begin production of the planes. Overall, more than \$3 billion in launch aid has been requested from the British, French and West German governments by Airbus companies in those nations.

"In terms of the climate" favor-ing such subsidies, said Mr. Pattie, "it was not particularly harmful to have had senior U.S. administration officials here making all kinds of noises."

He cautioned that while the British Department of Trade and Industry firmly backs the project, a decision to allocate funds must be

approved by the full cabinet.
Of course, the view that the DTI takes as the responsible department may not be the eventual view of the government," Mr. Pattie said. He said that the cabinet's decision would not come until late March at the earliest.

Sir Raymond Lygo, chief execu-Court had agreed to pay for the tive of British Aerospace, said in an interview, "It's no longer a question whether the government will support our request, but rather by "There was a widespread percept

been negotiating the sale of News tion that the visit by U.S. officials Corp.'s Channel Ten TV stations in last week was a heavy-handed atlast week was a heavy-handed at-Melbourne and Sydney. tempt to prevent the launch of the Last week, Mr. Murdoch told an A-340," he said. "With the compe-

tition screaming their heads off, the government knew we had a case." He added, "Whether the amount approved will be acceptable to our

ment launch aid in an Airbus project. British Aerospace received £250 of the £500 million it sought for the A-320 passenger jet, which is to formally roll off the hangar Saturday in Toulouse, France. The credit is expected to be repaid with interest over the next decade.

Britain's decision on financing the new generation of jets ultimate-ly will depend on whether enough stomers have been lined up. Mr. Pattie said he would meet French and West German counterparts in Toulouse on Saturday to

discuss what number of orders should be the "prerequisite." The Airbus consortium, which competes against the U.S. plane manufacturers Boeing Co. and Mc-Donnell Douglas Corp., is trying to secure firm orders from at least five

See AIRBUS, Page 15

#### Curbs on Japan Delayed by EC

BRUSSELS - Plans to tighten European Community anti-dumping rules aimed at apanese companies have been held up. EC executive Commission sources have said.

The external relations commissioner, Willy de Clercq, had proposed the plans to stop Japanese companies from seeking to evade duties by assembling Japanese components at plants in EC states. It had been expected that the rules would be approved last week by a semiautomatic procedure not involving a commission meeting.

But sources said Friday the internal market commis Lord Cockfield, had refused to approve the rules until it could be established whether customs officers of member states would be able to operate them.

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•		lasuer	Amount (millions)	Mat	Cour %	). Price	Price and wee	Terms
ġ		ING RATE NO						
•	<u> </u>	onia Bank	\$ 30	1990	Shor	100		Coupon will be pagged to 6-month Libor and will first be Libor lass 6%, then Libor plus 2%, Libor less 6%, Libor flat (twice) and finally Libor plus 9.3%. Noncollable, Fees 0.69%.
		COUPON	\$ 20	1994	*	100	99.50	
		Indosuez	\$ 50	1992	zero	70.35		Yield 7,703%. Nancollable. Proceeds \$35 million. Fees 1,35%.
		on Community	\$250	1993		101	99.40	
	Société Aquitai	Nationale Ef	\$100	1997	7%	100	97.88	
		b Export Credit	\$100	1990	61/4	101.30	99.70	Noncollable, Fees 1965.
	-	h Export Credit Tokyo	\$100	1994	<del>"</del>	1001/2	98.80	17774
•	Curaca	o Holding	DM 100	1993	5%	1001/2	100.00	Noncollipbia, Fees 24/%.
		Sectric Power	DM 300	1997	6	100%	99.25	
	Hypoth	eekbank	DM 100	1997	6 	10114	97.75	Noncollisbia, Fees 79%.
		Nationale des	£ 70	1997	10	10114	99.40	Noncollable. Fees 2%.
:	Finland		£ 100	1997	10%	101%	100.50	Noncollable, Fees 2%,
	Philips I		£ 40	1994	10	10114	99.35	Noncollable. Fees 176%.
		om Bonk	DF 200	1992	6	100	_	Nancollable private placement.
	Outokus BHF Box	mpu nk Finance	FM 200	1992	10%	100%		Noncolloble.
	Jersey		Aus\$ 40	1992	14%	101%	<i>99.7</i> 5	Noncaliable, Fees 2%.
	Deutsch Fritance	e Bonk	Aus\$ 100	1992	141/4	101%	100.60	Noncollable. Fees 2%.
		Sport Credit	Aus\$ 50	1990	14%	10114	99.00	Noncellable. Fees 11/2%.
ļ	Nordic Bank	investment	Aus\$ 50	1992	14%	101¾	99.88	Nonculiable. Fees 2%.
	South A	ustralian	Aus\$ 100	1992	Zero	51%	50.25	NoncoRable. Proceeds Aus\$51 million. Fees 199%.
	Financin	g Authority						
	Vereinsv Finance	vest Overseas	Aus 50	1992	14%	10114	99.25	Noncoliable. Fees 2%,
		nia Bank	Y 10,000	1992	1	101%	99.75	Coupon will be 1% in first 2 years and 7%% thereafter.
	Crédit A	gricole	Y 20,000	1994	5%	10114	100.13	Noncollable. Fees 1%%, Denominations 100 million yen.  Noncollable. Fees 1%%,
	Electricit	é de France	y 20,000	1994	5%	101%		Noncollable, Fees 176%.
		stor Credit	Y 15,000	1992	5%	101%	100.63	Noncollable. Fees 18%,
		l Bank of (London)	Y 5,000	1994	7	100%		Noncollable. Redeemable in U.S. dollars at maturity at a fixed exchange rate of 154.2132 yen per dollar. Fees 1%%, Denominations 10 million yen.
	Postipon	kki	Y 10,000	1994	51/6	101%	100.00	NoncoBoble. Fees 136%.
		LINKED	A					
	Itoman 8		\$ 100	1992	314	100		Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 910 yen per share and at 153.10 yen per dollar. Fees 26% increased from \$90 million.
	Keihan E Railway	edric	\$ 70	1992	open	100		Coupon indicated at 34%. Noncollable, Each \$5,000 note with one warrant associable into company's shares at an expected 24% premium. Fees 24%. Terms to be set Feb. 9.
	Kobe Be	ectric Railway	\$ 30	1992	open	100		Coupon indicated at 31/1%. Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an
٠	Kyotoru	Company	\$ 85	1992	open	100	99.20	copected 21/% premium, Fees 21/%. Terms to be set Feb. 12.  Coupon indicated at 31/%, Noncollable. Each \$5,000 note
								with one womant exercisable into company's shores of an expected 25/% premium. Fees 25/%. Terms to be set Feb. 12.
	Showa D	)enko	\$100	1992	3	100	1	Noncoliable, Each \$5,000 note with one warrant exercisable into company's shores at 455 yen per share and at 154,65 yen per dollar. Fees 216%.
-	Tokyu De Store	portment	\$ 80	1992	open	100		Coupon indicated at 35%. Noncollable, Each \$5,000 note & with one warrant exercisable into company's shares at an
-		ore Chain	\$ 50	1992	open .	100		expected 29% premium, Fees 24% Terms to be set Feb. 10.  Coupon indicated at 34%. Noncallable, Each \$5,000 note
	,						•	with one warrant exercisable into company's shares at an expected 2½% premium. Fees 1 %%. Terms to be set Feb. 10.
	Tayada Kaisha	lsushu	\$70	1992	open	100	,	Coupon indicated at 316%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 26% premium. Fees 256%. Terms to be set Feb. 10.
	Wyse To	chnology	\$ 45	2002	6	100	105.75	Semiconnucilly, Redeemable of par in 1994 and callable of 103 lin 1990. Convertible of \$28 per share. Fees 26%.
-	Elders U.	K	DM 150	1997	21/2	100		Redoemable at 121 in 1993 to yield 5.55% and collable at 101 in 1992. Convertible at Aus\$5.43 per share, a 9.99% premium, and at Aus\$0.8253 per mark. Fees 29%.
	WARRA	NTS						&
_	Citibank		0.10	24 mos	_	239	\$41	Each warrant gives the right to buy \$500 at a fased exchange are of 1.82 searls per dollar.
	Memili Ly Bank	nch Int'i	0.125	1990		\$50		Each warrant to buy \$500 at a food exchange rate of 1.567  Swiss francs per dollar.
-	Salomon		0.50	12 mos	_	\$7		Cell worrorts exercisoble or 100.393 into U.S. Treasury's
-	SBC Fina		0.20	24 mos	- :	36.20	\$37	65% note due 1990.  Each warrant to buy \$500 at a fixed exchange rate of 1.60
-		Sport Credit	0.15	18 mos	_	\$39	\$44	Swiss francs per dollar,  Each warrant to buy \$500 at a fixed exchange rate of 1.79
_		Sport Credit	0.15	1992	_	\$59	\$64	moris per dollar.  Each warrant to buy \$500 at a fixed exchange rate of 1.79
_	Den Non		0.10	1989	_	DM 19		marks per dellar.  Call warrants exercisable at par into a 6% band due 1994.
_	Creditba	*			-			
_	DG Barnik			18 mos				Destrohe marks per pound.
-	Gasunie		0.125 sr 25	10 mos 1990	<u>-</u> -	DF20 SF 84		Call warrants exercisable at per into a 64% band due 1994.  Options of 1,000 Swiss francs to buy U.S. dallers at a fixed
	Citibank		av					exchange rate of 1.55 Swiss francs per dollar.

#### **Loan Activity Slowing to Match Need**

By Carl Gewirtz

PARIS - The three-year-long split between the hectic level of activity in the international credit market and the relatively moderate pace of world economic growth is beginning to narrow, with the market now slowing to match the real need for new financing.

Salomon Brothers estimates that \$85 billion of Euro-commercial pa-

INTERNATIONAL CREDIT per and note programs were ar-

ranged last year: 239 commercial paper programs totaling \$49 bil-lion, and 225 note facilities of \$36 billion, up 49 percent from 1985. In addition, the Organization for Economic Cooperation and Development estimates \$53 billion was

raised by syndicated bank loans. But analysts believe that most of this business was replacement finance that took advantage of the low rate of interest and of the banks' reduced lending charges to substitute existing high-cost credits with lower-cost facilities.

The fact that few of the CP or Euronote programs have been fully utilized supports this view, analysts say. As a result, activity in the credit market, as in the Eurobond market, is expected to slow until the need for new cash picks up.

Unless, of course, there is a further dramatic decline in borrowing costs. But this now seems unlikely. Electricité de France is in the market seeking to refinance a \$1 billion line of credit at lower cost

and has run into some resistance. Citicorp, which is handling the restructuring, had said all along that a number of banks in the original syndicate would take this opportunity to drop out. Many of the smaller banks that were active in the market when the loan was arranged in 1984 no longer are.

Neither Citibank nor EDF is willing to state what the dropout rate has been, but there are rumors in the market that it is substantial No one has any doubt about that the full amount will be subscribed. The major remaining banks will take a larger share and the Japanese banks that are more active now than they were in 1984 will increase their share.

Nevertheless, the operation has raised questions about whether bank charges are too low to appeal to lenders. EDF is offering an anpoints over the London interbank undisclosed number of jets. offered rate, depending on how much is used, to draw on the loan.

The EDF experience shows that he rare occasions last year when ower facility fees were set on much maller loans will not be repeated ankers say. At the very least, they loor. Some argue that this signals that charges will rise,

They may simply be whistling in he dark, however. Charges have fallen sharply as banks, with funds to lend and little new business, have scrambled to compete for ending opportunities. This is not ikely to change so long as demand or credit remains subdued.

The only major new transaction nnounced last week was a \$360 million financing for the Mersin-Toprakkale Gaziangep motorway in Turkey, a 150-mile (245-kilome-ter) section of the 2,225-mile Frans-European motorway, Chase Manhattan and Union de Banques Arabes et Françaises are arranging he transaction

A series of private placements and dollar loans from Turkish banks will provide half the need inancing. The rest will be divided petween a \$55 million syndicated bank loan for Turkey and a \$135 million export buyers facility guar-anteed in part by Italy's official export credit agency.

The Turkish loan will run for

seven years and will pay 14 points wer Libor. The export facility will run for 13 years and pay interest of 15/16 point over Libor.

issues, each of \$100 million, Its

seven-year bonds, offered at 100%

with a compon of 71/2, yielded 65

basis points more than Treasury

paper, a level regarded as adequate

## EUROBONDS: Frenzy for Dollar Looked Overdone by End of the Week

(Continued from first finance page) forward exchange rates and volatility factors, they say the contracts are overpriced.

Bankers do not dispute that view. But, they say, that is because options traded on the various exchanges do not go beyond mine months. Custom-made contracts for longer periods can be bought from banks, but these cannot be traded. Thus, the high cost compensates for the tradability of these

longer dated contracts.
Institutional investors were reported to be big buyers, hedging their nondollar stock or bond portfolios against a continued appreci-ation of the dollar. In addition, for many institutions this is their only

opportunity to engage in currency speculation.

This effervescence in the currency bubbled over to the dollar sector of the Eurobond market. Only a trickle of fixed-coupon Eurodollar bonds have been marketed so far this year and that, at terms separated that at the term this year, and that, at terms gener- successful. This put the yield on the ally regarded as attractive, was eas- triple-A rated paper to 44 basis ily placed.

comparably dated Treasury securi-ties. A week earlier the spread had been 48 basis points. In the 10-year

Swedish Export Credit made two

opportunity to engage in currency area, Eurodollar bonds were yield-

points over the Treasury curve.

As a result, there was a paucity of paper as demand for dollar bonds suddenly picked up. By endweek, according to Credit Susse First Boston, five-year Eurodollar Elf-Aquitaine offered \$75 million of Illustrat bonds at par bear. bonds were yielding 35 basis lion of 10-year bonds at par bearpoints, or 0.35 percent, more than ing a coupon of 7% percent, around

Treasury Bonds Close Witches Witches 99 strat 99 strat 99 strat 99 strat 6-26 6-23 99 strat 99 strat 6-26 6-23 6-48 199 strat 99 strat 99 strat 99 strat 6-27 6-27 100 strat 100 strat 6-99 7.00 100 strat 100 strat 7.17 7.18 117 117 4-22 7.65 7.70 100 strat 100 strat 7.47 7.47 31.1.89 15.2.90 31.12.90 15.2.92 15.1.94 15.5.96 15.2.06 15.5.16

## Successful Refunding Draws Sighs of Relief

The \$10 billion of three-year

United Press International NEW YORK - Bond prices bid on them. were little changed as the market Treasury notes sold at a yield of 6.54 percent; \$9.75 billion of 10-year notes at 7.25 percent; and \$9.25 billion of 30-year bonds at 7.49 percent. All were well bid, with breathed a sigh of relief over the successful \$29 billion Treasury re-

U.S. CREDIT MARKETS funding auction and focused on

this week's policy meeting of the federal Reserve Board. "The refunding went very well; Japanese buyers were much more aggressive in buying them than had been predicted. Philip Braverman, chief economist of Irving Securitics, said Friday. The issues have been largely

foreign investors buying up to 50

percent of the 30-year bond.

The Fed's Open Market Committee is to meet this week. Market partitions differed over whether Mency Market Punds Danoghoe's 7-Day Aven monetary policy has been altered following moves to drain money from the banking system. Henry Kaufman, chief econo-

distributed," or not left in inven- mist of Salomon Brothers Inc., said tories of primary dealers who must he believed that recent Fed move were technical. "It is unlikely that the Fed has intended to produce noticeably tighter money market conditions," he said.

> **U.S. Consumer Rates** L57% 5A % est PHLS syrage

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#### Toshiba Is 3d Japanese Firm To Settle Patent Suit With TI

LOS ANGELES - Texas Instruments Inc. has settled with Toshiba Corp., one of several Japanese makers of semiconductors it sued in a patent infringement case.

The Dallas-based company, one of the pioneers in computer chip design, said Friday it had dropped the charges in exchange for a cross-licensing of the two companies' semiconductor patents, fixed royalty payments that it called "significant," and royalties based on future

In January, Texas Instruments settled similar charges against Sharp Corp. and Fujitsu Ltd., two other Japanese chip makers that it claimed had continued to make patented semiconductor products after license agreements had lapsed.

Still named in the suit are five other Japanese companies: NEC Corp., Oki Electric Industry Co., Matshushita, Mitsubishi and Hitachi, as well as Samsung Co., a Korean chip-maker.

The U.S. International Trade Commission has agreed to drop Toshiba from the patent-infringement investigations begun at Texas Instruments' behest.

The commission has 30 days to review the decision, but already has upheld the Sharp and Fujitsu settlements. The Toshiba agreement must also be reviewed by the Japanese government.

#### **Hungary Must Reverse Debt Pattern** Or Face 'Consequences,' Official Says

nomic problems are severe and the country "cannot take another year like 1986" without consequences, only this year," Mr. Bereez told the the deputy prime minister, Frigyes Berecz, has said.

"Any increase to our present loans may prove to be dangerous,"

"Though the economic situation import ban imposed by the Eurotoday is really severe, we are not heading for bankruptcy," the deputy prime minister added. "It is true, however, that we cannot take another year like 1986 was without

BUDAPEST — Hungary's ecoS470 million with the West.

Hungarian Economists' Society.
The country's currency reserves plummeted last year because of the collapse in oil prices, which slashed Mr. Berecz said Saturday in a revenue from exports of oil prodspeech reported by the news agency ucts refined from Soviet crude. Ag-MTI. He said that borrowed funds must be used more effectively.

Budapest Radio reported Sun day that negotiations had collapsed Hungary's hard-currency debt between General Motors Corp. and jumped by 54 percent in 1986 to the truck maker Raba ETO on ex-57.7 billion, according to provi-changing truck parts for imports of sional figures from the central Opel cars.

#### AIRBUS: U.K. Aides Back Jets

arrines by the end of March to justify the start of production. So far, only Lufthansa AG of West Germany has placed a firm order, for 15 A-340 aircraft and sign to include a new Superfan enoptions on 15 more. The deal is gine that is more fuel-efficient.

valued at \$2.5 billion. said that Air France, the state-run nual facility fee of 5 basis points, or airline, and Union des Transports
.05 percent, for the 7½ years remaining and will pay 2½ to 10 basis had each placed an order for an

> Airbus's success in securing orders for the A-320 figured prominently in the British department's decision to back aid for the A-330 orders for the MD-11.

and A-340, Mr. Pattie said. A total of 440 orders have been placed for the A-320, including options.

Another critical factor, he said was the revision of the A-340's de-

The engine revision was a major But industry sources in London factor in Lufthansa's decision, officials at the company said, and has prompted Swissair to reassess its tentative agreement with McDon-nell Douglas to buy the MD-11, a rival to the four-engine A-340. McDonnell Douglas counts

Swissair among the 13 companies that have placed a total of 55 firm

#### **Kaiser Aluminum May Sell** Unit to a Dutch Company

ser Aluminum & Chemical Corp., the third-largest American aluminum producer, has reached a preliminary agreement to sell its Kai- chairman of a new holding compaser Aluminum Enrope unit to my in exchange for injecting \$140 Hoogovens Groep BV of the Netherlands for an undisclosed price.

Kaiser said it expected to finalize a letter of intent with Hoogovens, a metal processor, within 30 days.

Kaiser has heavy debts and has recently sold several businesses. It said the European unit employs about 2,700 people and was profitable in 1986, with sales of \$354 million.

Kaiser, which had a 1986 loss of \$32.7 million after losing \$186.5 plant in Berlin. million in 1985, said it would use part of the sale's proceeds to reduce sidiary has operations in Belgium and Switzerland, Kaiser said.

The company lost a proxy battle OAKLAND, California - Kai- last year with Alan E. Clore, a British investor, and approved a restructuring plan in December un-der which Mr. Clore would become million in capital.

A Kaiser spokesman said the principal operations included in the safe agreement are in West Germany. They include a primary aluminum smelter in Voerde able to produce 77,000 short tons (about 69,850 metric tons) a year.

They also include an extrusion operation in Vogt; an aluminumsheet and plate-extrusion plant in Koblenz, and a wire and cable

In addition, the European sub-

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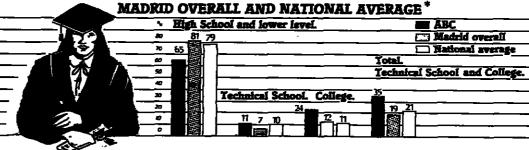
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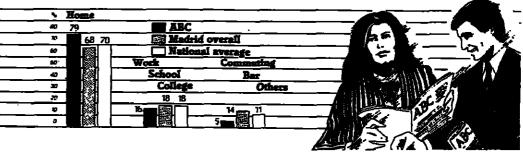


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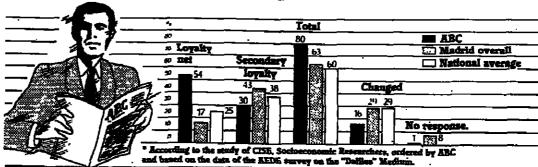
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#### **NASDAQ National Market**

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## U.S. Banks Hopeful on Securities Trading

ers are moving closer to winning securities investment powers through possible regulatory and legislative action this year, accord-

mg to banking analysts.
While Congress gets ready to is considering proposals to broaden banks' securities powers under cur-

rent law. U.S. bankers say they feel cantiously optimistic they may gain on both fronts, despite strong opposi-

tion from the securities industry. "There is definitely going to be legislation this year," said Kenneth Guenther, executive vice-president of the Independent Bankers Association of America.

Banking industry analysts say they believe that some securities powers for banks could be added to legislation before the Senate and House banking committees. One banking industry lobbyist said he thought that the Senate

Banking Committee chairman, William Proxinire, a Democrat of Wisconsin, would schedule an early vote on the issue. "I think it's a vote we can win," he said.

The securities industry, anxious to keep commercial bankers out of this profitable business, has fought hard, and largely successfully,

against new powers for banks.
Bankers would like to see com-

in investment banking.

ing industry is to remain healthy.

Bankers have complained that they are losing business because law, the board lacks authority to some corporate customers have permit the activities in question," would prefer that Congress address the issue. turned to the securities market to raise money where before they would borrow from banks.

While the banking industry and the Reagan administration support sweeping changes in banking laws, few analysts believe Congress will enact such changes any time soon. But some say they are hopeful that Congress will soon grant limi ed securities powers, such as th right to underwrite and deal in mu nicipal revenue bonds, mortgage backed securities, commercial pa per and issues backed by consume

"I think there is a possibility of some securities powers emerging from this Congress," Mr. Guenther

Senator Proximire has said he fa vors changing banking laws so that banks would be allowed to engage However, he cautioned the Fed eral Reserve Board against allow ing banks to engage in any of those Bankers would like to see com-prehensive reform of the depres-gress should address the issue.

#### CUBA: Fighting 'Capitalist Vice'

must cultivate man's sense of

shame. We must cultivate man's honor, dignity and his best quali-

tion to instill in his people "a Communist conscience" represents a major shift in economic policy and goes far beyond end-ing the free-enterprise ventures that he had permitted since 1980. At the first of the year, with as cutting sugar cane by hand.

Cuba caught in one of the worst

government revenues, the Cuban the island. leader ordered a broad range of Mr. Cas cutbacks to reduce public expenditures. The cutbacks include reductions in personal allotments of rice, milk, beef, beer and fabric for clothing; fewer hours of broadcasting for the two national television channels; a rise in electricity rates, and the doubling of city bus fares to 10 cents.

The austerity campaign is

meant to profoundly change Cu-ban life. Mr. Castro said, instilling not only discipline and greater morality but a toleration of the hardships characteristic of the regime's early years.

experts on Cuba say Mr. Castro appeared to be taking Cuba back to the spirit of the 1960s, when revolutionaries like Che rather than economists formulated policy.
In the early 1970s, Mr. Castro

shifted to a more orthodox, Soviet-style approach of goals and objectives after failing in 1970 to achieve a much-publicized goal of harvesting 10 million tons of

Overtime pay, bonuses and cy earner. Caba produced about other material incentives were in800,000 tons of petroleum prodtroduced. Cars, refrigerators, ucts in its refineries and sold petroleum prod in its refineries and sold about four million tons abroad.

The Soviet Union gives Cuba more than enough crude oil and natural gas for its domestic needs, and Cuba exports the excess to get dollars to buy raw materials and spare parts from the West.

The fall in world oil prices has been a major factor in commanded.

Mr. Castro, trying to how things had

Mr. Castro, trying to explain how things had unraveled, spoke recently to his party's leaders of a "blind belief in mechanisms

that Mr. Cestro was not returning to his earlier path, but was head ing toward a middle ground tha would combine spiritual exhorta tions in the Guevara style with pragmatic economic structuring.

Although he has criticized procently acknowledged a need for material incentives for workers engaged in hard, physical labor that is vital to the country, such

It was the Mariel boatlift in economic crunches of its socialist 1980 and the unrest that it reflect-history, Mr. Castro began a ed that prompted Mr. Castro to sweeping austerity program that open the first of the private farmis likely to continue for many ers' markets. Some 125,000 Cumonths. To counter a sharp drop in briefly lifted his ban on leaving

Mr. Castro's decision to permit home ownership came in mid-1985 as part of a general liberal-ization. Under a 1960 law, the government had seized tens of thousands of houses and apartments from landlords and had taken over the homes of Cubans who fled into exile. All the homes were assigned to

ary. Under the new ownership rules, a family could either purchase a home outright or continue to pay rent, with current and past rent credited toward the pur-

In addition, Cubans could build their own homes, a privilege that resulted in a spurt of con-Struction. The ideological revision that

ended home ownership and the farmers' markets is only one of the reasons for the economic changes under way.

Last year, for the first time, petroleum exports edged out sug-ar as Cuba's leading hard-curren-

get dollars to buy raw materials and spare parts from the West.

The fall in world oil prices has been a major factor in Cuba's estimated 40 percent loss in foreign exchange earnings.

The only solution, Mr. Castro has said, is to cut imports from the West to helf of lost wards \$1.3.

the West to half of last year's \$1.2 blind belief in mechanisms billion. Only essential spare parts and manufacturing ingredients Some government officials said will be purchased, he said.

Resters

Sion-era banking law, the GlassWASHINGTON — U.S. bankThe board is considering appliWashington — U.S. bankSteagall Act, which bars cations by Citicorp, J.P. Morgan & Fed chairman, Paul A. Volcker, as are moving closer to winning commercial bankers from engaging Co. and Bankers Trust New York

Mr. Volcker has said he believes Corp. The three are seeking permis-

They argue that time and tech-sion to underwrite and deal in secu-

powers are needed if the U.S. bank- subsidiaries that already deal in government securities.

banks should be allowed to have those securities powers, but the nology have changed the financial rities under current law by conservices market and new securities ducting limited business through permitted under the current restriction.

tive law. "Until the Congress changes the hearing on the applications that he

#### **International Bond Prices**

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it-	ICH GIG						Goodyear	6%	94	1047/2	6.19	6.6
he					Yid	Cut	Goodyear	71/2	95	103%	4.54	8.5
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er	Amex	54	91	103%	4.95	5.65	Montreal City	67a	<b>95</b>	10774	563	6.76
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#### Wall Street Review

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#### **WORLDWIDE ENTERTAINMENT**



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#### **SPORTS BRIEFS**

#### World 100-Yard Dash, Shot Marks Broken

SENFTENBERG, East Germany, Feb 8 (AFP) — Heike Drechsler broke her world indoor record for the 100-yard dash Sunday, while in Macolin, Switzerland,

Werner Gunthor set an indoor world mark for the shot put. Drechsler, 22, who holds the outdoor records for 200 meters and the long jump, was timed in 10.15 seconds at the East German indoor championships. That was nine hundredths of a second faster than she ran the event last year, but the women's 100-yard dash was not included in the list of indoor events for which the International Amateur Athletics Federation began accepting world records on Jan.

Gunthor, Switzerland's surprise gold medalist at last September's European championships, heaved the 16-pound (7.26-kilogram) shot 73 feet ½ inch, 4½ inches better than the record that Ulf Timmermann of East Germany set last year.

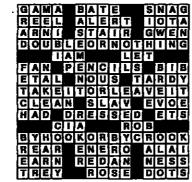
#### Breland Breaks Hand but Wins WBA Title

ATLANTIC CITY, New Jersey (AP) - Mark Breland won the World Boxing Association welterweight title Friday night, knocking out Harold Volbrecht of South Africa with a tight to the jaw in the seventh round despite, in the first round, breaking a metacarpal bone in his left hand for the third time since September. Manager Shelly Finkel said later that Breland, 23, will have surgery on a tendon in that hand, probably next week. Breland, who had tendon surgery on his right

hand in 1983, will not fight for four or five months, Finkel said.

Against Volbrecht, who was ranked No. 1 by the WBA, the second-ranked Breland did land some left jabs during the dull first six rounds of the bout for the vacated 147-pound (66.5-kilogram) title. He did not tell his corner he had reinjured the hand, in which the bone was broken while sparring in September and rebroken in December.

## Solution to Friday's Puzzle



HONOLULU (AP) --- Craig Stadler matched the course record with a 10under-par 62 Saturday to take a one-stroke lead over Paul Azinger after three rounds of the Hawaiian Open Golf Tournament.

Stadler Golf Leader

Azinger shot 65 to move into second place while Fred Couples, who shared the second-round lead with Bernhard Langer of West Germany, battled back from a double bogey for a 68 that left him two shots off the pace. Langer shot 71 and was five back.

Stadler made 10 birdies — five in a row —and tied the course record set in 1981 by Hale Irwin and Nick Faldo of

## All-Stars Bid Farewell to the Good Doctor

By Roy S. Johnson New York Times Service SEATTLE --- Something unusual, if not surprising, was likely to have occurred Sunday in the National Basketball Association's allstar game, the annual exhibition of

began passing the ball with unex-pected frequency, forsaking even Eroing the master showns wide-open shots.



Julius Erving: Good moves, on and off the court.

Erving, the master showman and consummate professional, was to But the passes would not be to be playing in his 11th and final just any teammate. Each time Isiah NBA all-star game (in which he has Thomas or Michael Jordan or averaged 19.9 points). He will turn 37 at the end of this month, and he will retire at the end of this, his 16th professional season. As a tribute to the player many in this year's game

> star game of his life. "I know if I get the opportunity, I will," said Thomas, who, like Erving, is a two-time most valuable player of the event.

could to see that Erving had the all-

"I'd like to get him the ball whenever I can," said Jordan, who would be playing in his second all-star game. "It's the best way I know to salute a true legend." As the best players in the Eastern and Western Conferences prepared

for the game with informal practices here at the Coliseum, much of the discussion focused on what Erving has meant to them. "He showed us how to do things in a class way," said Earvin Johnson, "We know we can't imitate his

game, but we can imitate him off the court, just being a nice person. I'm just happy for the chance to get to know him as a person." "I still idolize him," said Wilkins, a two-time all-star. "He's the

perfect role model. He does things so people can be happy. I'll be sad to see him go."

was basketball to me. He made it exciting. I could go down and sneak

vers, some members of the Eastern Checks or Charles Barkley or even and see my idol. Besides what be a beside in the besides what be a beside in the besides what be a beside in the besides what be a beside in the besides what be a beside in the besides what be a beside in the besides what be a beside in the besides what be a beside in the besides whether the b dred times more through just him presence. The way he carries him self. The way he approaches his ju

night in and night out." Eric (Sleepy) Floyd, in the gard for the first time in his five-year career, pointed to the "character

class and the zeal" Erving displays Floyd and Erving traveled to S attle on Friday on the same flight That not only gave them an oppo-tunity to chat, but it also allowed still call their idol, some were saying they would do whatever they Floyd to observe one of the virtue about Erving he most admires.

"It's not so easy for people to come up and ask you for an autograph because some players turnithem down so rudely." he said.
"It's even harder for people to come up to him, but he greets everyone with a smile. It's little things like that that make him so special.

Tom Chambers, the Seattle forward who would be making his first all-star appearance, as a substitute for the injured Ralph Sampson, developed an ideal image of Erving that he feared would be shattered when he first met him as a rookie five seasons ago.

"Sometimes when you meet a guy like that you're disappointed because they're not as friendly or approachable as you hoped they would be," he said. "But the first time we played them, he reached out, shook my hand, and said Welcome to the league. And he genuinely meant it. I'm just happy to be in the same game with him. Being that it's his last one, it's beyond description."

"The first day I ever thought about basketbell, I thought about basketbell, I thought about Julius Erving," said Mark Aguirre, in his second all-star game. "Julius said. "When he steps on the floor it's still a game, but it's more.
"He's history."

#### O New York Times, edited by Eugene Maleska.

#### DENNIS THE MENACE

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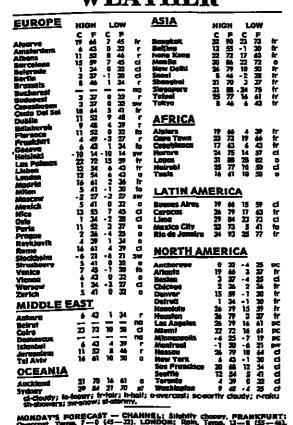
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JUMBLE THAT SCRAMBLED WORD GAME
by Henri Amold and Bob I as LYMAN REESA HOYBIS HE OWES HIS SUCCESS NOT TO WHAT HE "KNOWS, BUT TO THIS.

ATSWET: OXOO HE "OXOO OXOO Jumbles: ABYSS WALTZ CORRAL NAUGHT Answer: The girls wouldn't trust that cowboy because he was always trying to do this — THROW THE BULL.

WEENST

## WEATHER



#### **PEANUTS**



BEETLE BAILEY

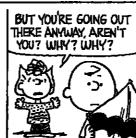
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REQUEST PERMISSION

TO REARRANGE THE

OFFICE FURNITURE,

THERE'S A TREE OUT THERE JUST WAITING FOR YOUR KITE! YOU Don't have a chance!



















SHADDAF





#### WORLD STOCKS IN REVIEW / Via Agence France Presse

#### Amsterdam

Prices on the Amsterdam stock exchange edged up at the end of the week after losing ground earlier while the dollar was still falling. The ANP-CBS general share index dropped to 260.1 on Wednesday, down from 262.3 on Friday of the previous week, but moved up to

262.5 on the final day of trading. An exception to the weaker trend was Royal Dutch, which went from 214.60 guilders to 222.70, with support from New York where investors were bullish on oil securities.

Philips also made a strong showing, with shares rising from 44.20 to 46.50 guilders. Volume amounted to 4.821 billion guilders, down from 4.954 billion the previous week.

#### Frankfurt

The Frankfurt stock exchange staged a modest recovery near the end of a week of generally singgish trading in which the Commindex fell 68 points to 1,739.6.

Foreign investors, reacting to the dollar's weakness, were heavy sellers of German shares, and market analysts said trading this week would be influenced by lingering uncer-

tainty over the dollar's direction. Despite the recovery Thursday and Friday, paralleling the dollar's, most major issues closed lower last week, notably banks and insurance companies. Deutsche Bank was down 46.50 Deutsche marks, Dresdner lost 24 DM and Commerzbank gave up 17.5 DM.

#### Hong Kong

Bulls went on a post-Lunar New Year buy-ing spree on the Hong Kong stock exchange this week, boosting indexes to new record

highs.
The bellwether Hang Seng index finished Friday at a record 2,673.57, up 120.32 on the week. The Hong Kong index rose 76.17 to 1,713.79.

Analysts said the buying began as soon as the market opened Monday after a four-and-a-half-day holiday that was preceded by two days of gains.

Prompting the upsurge, they said, were expectations that major Hong Kong companies would be reporting healthy 1986 profits in the next two months and that the Hang Seng index would crack 3,000 by year's end.

#### "There's more to come," one broker put it, although a slight correction was expected in the coming week.

#### London

The surge in share prices continued last week on the London Stock Exchange with all the main indices hitting new peaks

The Financial Times index of 30 industrial stocks broke the 1,500-point mark for the first time to close up 67.9 points on the week at 1,508.9. The more widely-based FT-Stock Exchange index, measuring 100 leading shares, also reached new ground, closing up 90.1 points at 1,898.4.

Sentiment was buoyed by optimistic fore-casts for the British economy and rising hopes for a budget that would include tex cuts. The pharmaceuticals sector led the rise in share prices, with Glaxo up sharply on hopes for a new drug. Oils were boosted by news that a consortium of American oil companies known as Aramco had concluded a longterm agreement with Saudi Arabia to buy up to 1.3 million barrels a day at fixed prices.

#### Milan

Mīlan stocks were in the doldrums again last week, and the Comit index closed at 705.11, down 0.4 percent from the previous week. Activity was weak. Only 133 million shares changed hands, down from 165 million the previous week, for a total value of 666,034

zillion lire, compared with 789,387 billion. In five days of slack trading, the only stocks that excited interest were Montedison, after a managerial reshuffle and the announcement of annual figures the previous week, and the in-surance firm SAI, which announced plans to increase capital.

#### *Paris*

Trading was nervous last week on the Paris Bourse in reaction to anxiety over the course of

The CAC index ended the week at 418.4, up from 418 the previous Friday. Trading was robust at the start of the week, with the in hitting 421.5 Monday in response to a decline in short-term interest rates in West Germany and the announcement of a narrowing in France's trade deficit at the end of 1986.

But on Tuesday, as the dollar slumped, the index weakened on fears that profits of exporting companies would suffer and that French interest rates would have to be kept high to defend the franc against a surge in the mark's

Questions about the quality of equipment provided for French competitors in the world skiing championship by the company Skis-Rossignol triggered a 6 percent decline in the value of its shares over Monday and Tuesday

On Wednesday, sales by foreign investors in response to the declining dollar intensified and the index dropped to 413.9. The trend was reversed on Thursday as the dollar firmed and France posted a balance of payments surplus in 1986

#### Singapore

In the first trading week of the Lunar New Year, the Straits Times Industrial Index gained an impressive 16.96 points to finish at 965.98 and appeared poised to break the 1.000 mark

The sharp rise in prices was mostly in quality issues. Malaysian stocks also were in the limelight the entire week.

Strong buying in Hong Kong and and early bullishness in Tokyo also contributed to the gains in Singapore, analysts said. Average daily volume amounted to 36 million units and scattered profit-taking emerged in mid-week.

Prices on the Tokyo stock market fell for three straight sessions at the end of last week, despite a bullish start on Monday, as individtal investors sold stocks to produce funds for shares in Nippon Telegraph and Telephone Corp., which is to be listed next Monday. The 225-stock Nikkei average closed at

19,550.21 yen after a half-day pre-holiday session Saturday, down 458.14 yen down on the previous week's close.

The Nikkei had soared to 20,072.09 yen Monday, breaking the record set just the pri ous week when the average topped the 20,000-yen mark for the first time.

With NTT due to come into the market Monday, investors focused on issues related to NTT businesses and giant-capital stocks, leaving many others neglected. Small lot sellings on other issues pushed market prices down, bro-

One analyst described the fell as "a hull before a storm," a reference to the listing of NTT. About 10.4 million people have applied for NTT stock, meaning that the issue has been oversubscribed six times.

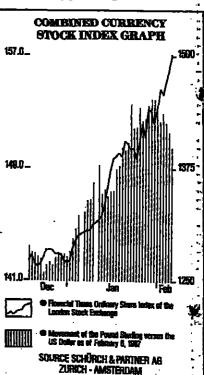
#### Zurich

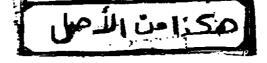
The Zurich stock exchange saw heavy selling last week, notably by British and American investors reacting to a weakening dollar.

The wave of selling turned calmer Wednes.

day when the U.S. currency began to gain aund against the Swiss franc. Market analysts said this week's trading

would depend on the course of the dollar. The Credit Suisse index dropped to 641.5 points on Friday, down from 647.5 on Jan. 30, and is expected move 5 percent either way this week depending on changes in the dollar.





#### **SPORTS**

# Hess Takes Sixth World Title; Wörndl, in Upset, Wins Slalom

Compiled by Our Staff From Disputches first men's slalom gold in a world CRANS-MONTANA, Switzer- championship. land - Frank Worndl of West Germany, in Sunday's final event of the Apine Ski World Championships, produced the upset of the competition by winning the men's slalom by a margin of 0.19 seconds.

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- 1 hart Leader

Lanka Village

A House in Nine

Continued

The day before, Erika Hess, 24, who is to retire at the end of this season, had crowned her 10-year career with a sixth world title, winming the women's slalom to become Switzerland's third double gold Eddalist at these championships.

The 27-year-old Worndl's previous best performance, despite nine years on the ski circuit, was fifth in a World Cup slalom at Hinter-stoder, Austria, seven weeks ago. But he upset a star-studded field Sunday to give West Germany its



Rrank Wörndl: "Overjoyed." tain

embourg were the only non-Swiss any races." winners in this year's 10-race cham-

seconds for a two-run total of chance of a medal."

Gunther Mader of Austria won the silver medal in 1:54.82. First-ters of a second of him until Mader, run leader Armin Bittner of West Germany took the bronze in 1:55.03, edging Girardelli by 08

American Felix McGrath finished 10th, in 1:56.29. That left the United States with just one medal, Tamara McKinney's bronze in the women's combined. It was the worst world championship showing for the Americans, who had won four medals two years ago, since they were shut out in 1978.

The Swiss won a record eight golds on their home slopes, but in the finale they did not fare well. Jean-Daniel Deleze and Joel Gaspoz tied for seventh at 1:55.78, 1.06 seconds behind sixth-place

Bojan Krizaj of Yugoslavia. Pirmin Zurbriggen, the Swiss superstar who won the giant and super-giant slaloms, was tied for 12th after the first run but 20 seconds into the second missed a gate and dropped out Jonas Nilsson of Sweden, the defending champion, was 21st after the first run, but he too

missed a gate in the second. Swedes had won the world championship slalom three consecutive times: Ingemar Stenmark in 1978 and 1982 and Nilsson two years ago in Bormio, Italy. West Germans never had won - until Worndl charged down the moun-

of skiing was always bigger for me He and Marc Girardelli of Lux- than the fact that I wasn't winning

After the first run, made through pionships. Girardelli won the 72 gates on the 541-meter (589-men's combined and finished yard) Nationale course, a third of a fourth in the slalom, barely missing second separated the first seven his fourth medal of the meet. finishers. McGrath was .99 seconds Worndl punched the air as he out while posting the 16th fastest completed his second heat in 54.03 time.

The second run was quicker, 1:54.63. "I'm overjoyed," he said, with seven fewer gates, and Girar"I had hoped to make the first 15, but after the first run I knew I had a the fastest run of the day, 53.63 Nobody came with three-quar-

starting eighth, took the lead with a looked as if Austria would win its first championship gold since 1982. Then Worndl came roaring down. On Saturday, Hess bowed out of

the world championships with a dream of a second run that shot her past first-heat winner Roswitha Steiner of Austria. Hess, third after the first run,

sped through the 55 gates of the second in 46.51 seconds to finish with a total of 1:33.30. Steiner was timed in 1:33.55, after having held a 1.33-second lead on Hess. Mateja Svet, 18, who earlier had

become the first Yugoslav woman to win a world championship med-al, took her second bronze and third medal of this competition. "It was a fantastic finale," said

Hess, who won the women's combined gold a week ago. She threw her skis into the air as Steiner finished her second run. In addition to Hess and Zurbriggen, Maria Walliser won two golds

for Switzerland, in the women's downhill and super-giant slalom. At the last world championships, in Bormio, Italy, Hess had failed to finish and that disappointment had

This is revenge for Bormio, said her coach. René Vandroz.



Erika Hess, Switzerland's third double gold medalist of 1987.

the permitted maximum. The steep in her hands. slope claimed 24 of the 67 starters in the first run, including such top contenders as McKinney and Swiss giant-slalom winner Vreni

20 minutes, looking at the spot where her hopes of victory had vanished. She skied to the finish area with tears in her eyes and declined to talk about her run.

The dropouts continued in the second run, with 4 of the top 15 failing to complete the course. Among them was Monika Maierhofer of Austria, second after the an hands to Swiss.

The Nationale course, with its 55 first run in 46.69. She missed a gate, tight, twisty gates, dropped 574 feet (92.8 meters), just 16 feet less than the trail, sat down and put her head

But Hess, by the midpoint of her run, was skiing smoothly and strongly, plowing through the gates and stretching to get the final strides over as quickly as possible. She had overtaken Steiner and now McKinney was so upset that she She had overtaken Steiner and now stayed on the side of the course for had to wait to see if the frontrunner could match her pace. Steiner could not.

The co-champion with Hess of the World Cup women's slalom last year, Steiner appeared tense and nervous during her run. She eased through the gates very rigidly and, just past the midpoint of the course, the gold medal jumped from Austri-(AP, UPI)

## France Rallies to Down Wales, 16-9; Ireland Opens by Blanking England

By Bob Donahue

International Herald Tribune PARIS - France took 78 minutes to get ahead of Wales in a 90minute rugby match here Saturday. but a strong French finish left no had deserved to win. Said Des Barnett, president of the Welsh Rugby Football Union, "This is the best French team ever."

The score went from 3-9 in the 35th minute to 16-9 at the end. The power of the French forwards and the backs' attacking "magic" Welsh Coach Tony Gray's word --wore down resistance that had been skillful, fierce and controversial.

In Dublin, meanwhile, Ireland shut out England, 17-0, with three tries, a conversion and a penalty goal. Center Michael Kiernan, flanker Phil Matthews and left wing Keith Crossan scored the tries; Kiernan, totaling nine points, kicked the goals.

Irish work at improving their scrummaging, after a Five Nations whitewash last year, paid off in this year's tournament opener. The En-glish were held in the scrums and dominated in loose play and in the lineouts. A leading Loudon commentator wrote that this "was probably the worst performance I have ever seen from an England team." Ireland will play away against Scotland on Feb. 21. England will

be at home against France. The controversy in Paris involved stoppages for real or reigned mjury. Much of the noisy crowd's afternoon was spent booing the Welsh physiotherapist, Tudor Jones, as he trundled on and off the field. "Tactical injuries," a veteran Weish referee joked afterward. And Barnett got the biggest laugh at the joint banquet Saturday evening with the mock-solemn line, "I would like to congratulate Tudor Jones for the way he played today." But for Albert Ferrasse, president of the French rugby federation, the Welsh stoppages "spoiled" an otherwise good

the Five Nations tournament for at the same time. the first time, added five minutes to each half and later said he had found the stops "very frustrating."

The French coach, Jacques Fouroux, said the Welsh were smart to break the momentum every time France went into high gear. But he

**FIVE NATIONS RUGBY** 

called for a change in the rules to require play to continue while minor injuries are treated on the sidelines. Wales countered the French in the scrums with an outstanding display by tighthead prop Stuart Evans and clever spoiling by the back row when the scrummage was wheeled. Evans was also effective

Locks Robert Norster and Steve Sutton had their way in the lineouts until the French captain, hooker Daniel Dubroca, changed tactics at halftime. "Good captaincy," said John Dawes, the WRFU's tactical guru. The French had five tall men to Wales's four, so the trick was to throw in to the one big guy usually Alain Lorieux, near the front - who had a smaller vis-a-vis.

By varying the throw-ins, France recovered enough control to come back in the second half and win what Welsh captain David Pickering called "a very well deserved

victory."
Fullback Paul Thorburn connected with three out of five penalty kicks before going off with a broken left collar bone in the 38th minute. He is expected to be out for eight weeks - leaving him time to make the Welsh World Cup squad in May. Malcolm Dacey replaced him.

The injury came just after his third goal. The French drove deep into Welsh territory and were penalized. When Welsh flyhalf Jonathan Davies for once failed to find

match. There were more than a back Serge Blanco booted high and dozen of them, compared to only then zeroed in on Thorburn, who one for France. Referee Colin bravely received the ball and all 85 High, an Englishman officiating in kilograms (187 pounds) of Blanco

Philippe Bérot, France's right wing, had only one penalty kick in each half but put both across. The rest of France's scoring came from a try by flyhalf Frank Mesnel, converted by Bérot, and another by left wing Eric Bonneval. Eric Champ, a 1.96-meter (6-

foot-5) flanker, was France's man of the match. Although often foiled at the tail of the lineout by Welsh wiles or inaccurate throws from scrumhalf Pierre Berbizier, he was omnipresent in defense and attack, sometimes withdrawing from the scrum to join the backs. Champ was a crucial link in the attack that produced Mesnel's try. The converon evened the score at 9-9.

He was again involved 27 minutes later, making ground and passing to Blanco, who fed Ronneval on the left. The wing did some flashy running during the match, but this time it was his power that counted as he wrestled past Davies. Glen Webbe and Dacey to score in the corner. Bérot missed the conversion, but soon put the game on ice with his second penalty goal.

Without great defense - in particular by flanker Pickering and new right wing Webbe, the first black ever to play for Wales — the French would have scored two or three more tries. Other French threats were stymied early by good tackles on big forwards as they started to charge.

French errors were also to blame for the suspense, as when Berot fumbled as he dove over the Welsh goalline at the end of some expert zigzagging by Berbizier. Coach Fouroux, brushing aside Welsh praise, grumbled that France "has a lot of work to do.

It was France's fifth consecutive defeat of Wales. The last team to do that to Wales was Scotland, touch with a long kick, French full-

#### U.S. College Results

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**National Hockey League Standings** WALES CONFERENCE

riar) 20-9-14—3; New Jersey (on Hexcull) 10-23-5—36. Toronto 3 2 9—9 Boston 2 3 3—5 Johnston (9), Thelvan 2 (3), Crowder (14), Grotiin (11), Neety 3 (25) : Leenson (16), Smith -(4), Terrion (4), Jockson (6), Thomas (26). Sabts on goot: Toronto (an Dosksiakis) 11-6 9-31: Seaton (an Wittenant) 4-12-1-12. McKegney 2 (23), Duguay (7), Sandsfrom 2 (30); Ridley (22), Loughlin 2 (16), Miller (10),

# Hartford (on Roy) 14-15-6-37. | Control of the property of th

on) 14-10-11- 35; Calgary

Defroit Autorespots
Chlosson (1), Kilma (20), Veltich (10), Gallant (21), Hispitas (7); Gronstrond (1), Actor
(11), Marrisk (11), Shobs on yeast: Detroit (an Beaupre) 13-8-10-29; Allanesota (an Stefan)
19-11-7-26.

Polists standings: Napoli 26; Inter Milan 26; Iuventus 24; Roma, Milan 23; Verena 20; Iamedoria, Terina 18; Come 17; Florentina

Cristona I. Affetico de Modrid 9 Points standings: Barcalono 37; Reol Ma-drid 37; Español 32; Amietic de Bilbao 28;

CINCINNATI-Signed Tom Ehrhordt,

HOCKEY

COLLEGE MCNEESE STATE—Announced that Glen Duhan, basinthall coach, and his staff will not

9. Lia Trovati and Roberto Pelissolo, italy,

10. Viero Rehakova and Ivan Havronek,

11. Corinne Pallard and Didler Courtois,

Duhon, basinetbeli co refuno mext season.

Matterca, Atletica de Matirid. Betts 27; Gild 24; Reat Sociedad 25; Sevilla, Valladell

Ascoll 11; Udinese 5.

SPANISH FIRST DIVISION

Athintic de Bilboo (L Cadiz ()

# Pitt Beats Providence,

PROVIDENCE, Rhode Island - Charles Smith scored 25 points and Jerome Lane added 20 here Saturday night to spark No. 16 Providence that kept the Panthers

Pitt, leading the conference with an 8-1 mark, outrebounded the Friars, 58-36; Smith and Lane each

us from the inside," said Providence Coach Rick Pitino. "They're an overpowering team. They really know their strengths, and if they stay out of foul trouble they can go

Pitt never trailed. It opened the second half with a 12-4 spurt, including six points by Demetreus Gore, to boost the lead to 54-43. Providence closed to 84-80 on a three-pointer by Bill Donovan with

15 points in all, sealed the triumph. Nevada-Las Vegas 83, San Jose State 74: In San Jose, California, Freddie Banks scored 33 points and Armon Gilliam added 22 to lead top-ranked Nevada-Las Ve-

Arizona, Kevin Gamble scored 20 points as fourth-ranked Iowa ralied from a 13-point deficit to de- was out sailing, who was in the shed The winners shot 61 percent from the field in the second half.

Notice Y League
LEAGUE—Handed down fines totaling
Stitution to the Philodelphic Pivers and the New
Jersey Devils for a posterme fight Jen. 34.
PHILADELPHIA—Returned Don Nochbour, contex, to Herstey of the American

West Lafayette, Indiana, Troy hidden beneath a plywood covering Lewis scored 17 points and Todd and the hole in the bow where her No. 6 Purdue rout Northwestern. ered in plastic tape.

Pulling its starters with 11:27 remaining, Purdue led by as many as meter world championships in June.

improved Stars & Stripes regained second place. Then, before the meter world championships in June. 42 points in the second half. Öklahoma 81, Missouri 78: In

Norman, Oklahoma, Tim McCalis-

Tuscaloosa, Alabama, Ed Davender scored 29 points, including a 10-foot jumper with six seconds

"Where you're standing right now," said Les Hall, a Fremantle policeman, as he shepherded a mob

been questionable after missing practice during the week.

Duke 76, Maryland 67: In Durham, North Carolina, John Smith scored 22 points and pulled down nine rebounds as Duke, ranked 15th, rallied from a 10-point deficit in the second half.

pulled down 17.
"They just physically dominated

as far as they want."

40 seconds left. But a pair of free throws by Mike Goodson, who had

gas. Banks was 9-of-15 from threepoint range.

Iowa 89, Arizona 80: In Tucson,

Temple 78, St. Joseph's 69:, In Philadelphia, Nate Blackwell hit for 24 points and Tim Perry collected 17 points and 17 rebounds to pace fifth-ranked Temple, which sat in a cradle "on the hard," as has won 10 straight overall and 31 old-fashioned Australians call a

ter hit a three-pointer with six sec-onds left to lift eighth-ranked Okla-lift, her mast removed. homa over Missouri. The Tigers' Derrick Chievous, who had tied the score 78-78 on an off-balance to go. Kookaburra I sat on the hard jumper with 19 seconds remaining, at Fremantle Boatlifters, her secret misfired on a desperation 30-footer keel hidden by a plywood house as time expired.

to go, rallying Kentucky past along the main jetty last week, "a ninth-ranked Alabama. The Crim- year ago was sea. All this was built son Tide had a 10-game home win- for the cup." ning streak snapped.

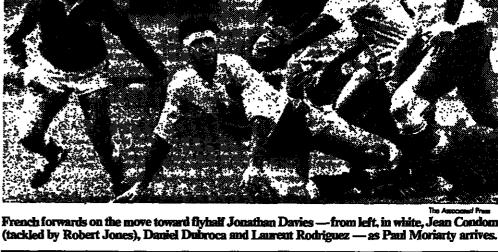
Now, the cup is gone. On Saturhind on the last leg to nip USA at Spent two years in Fremantle preClemson 74, South Carolina 52: day, Conner took it aboard a charthe finish. But from that point on, paring for the cup—more time than

In Clemson, South Carolina, Hor- tered flight to the United States and he was nearly untouchable. ace Grant fought off a bout of flu its ultimate destination, the San Dieto score 24 points and help 13- go Yacht Club, where it will reside never trailed at the first mark and ranked Clemson down South Caro- for at least the next 3½ years. lina. Grant, who connected on six Already, however, challengers His only loss was to New Zealand, of eight shots from the floor and 12 are lining up for the next shot at when a crew error sent the spinnaof 13 from the free-throw line, had yachting's top prize.

ker tumbling to the deck at a crubeen questionable after missing

Most have learned the lesson cial moment early in the third race.

gun work already on winning back for hull development.



French forwards on the move toward flyhalf Jonathan Davies - from left, in white, Jean Condom

#### **VANTAGE POINT/Angus Phillips**

## No More Masts on the Skyline

The mast of a 12-meter yacht is nine knots to win.

distinctive and unmistakable, lordgracefully tapered at the tip, sup-ported by a web of spindly shrouds. "We didn't show By scanning the sky around the docks, one could take a quick reading on who was in port and who bit of tiger left in our tank."

feat its former coach, Lute Olson. making repairs or off on holiday while the boat sat idle. On Saturday, for the first time in six months, there were no masts on the skyline.

Down at Tom Blackaller's dock, the radical, double-ruddered USA dry dock. Her deck was sheathed in Purchae 86, Northwestern 60: In canvas, her unusual torpedo keel In three days she lost to Canada II Mitchell chipped in 14 to help unique front rudder went was cov-

> Stars & Stripes, the smoky blue speedster that Dennis Conner piloted to his historic recapture of the

were cradled and sheathed, ready with box-like appendages on each Kentucky 70, Alabama 69: In side covering its wings.

Conner gleaned in 1983: that the key to success is using space-age technology to make a faster boat. Not crew work, sails or tactics. The unsuccessful Australian defender, lain Murray, who has be- as Conner's reliance on technology

the cup, said Conner had found "a FREMANTLE, Australia - A tenth of a knot" more speed than ways been a part of cup racing, but daily ritual here for devoted follow- anyone else. And he suggested that, no one ever deceived the opposiers of the America's Cup was to by 1990, yachts that now sail 8.5 tion as effectively as Conner. wander about town counting masts. knots upwind may have to reach

It may take a while, though, for ing a tiny country of 3.4 million, ly tall at 90 feet (27.3 meters), the more simple secret of Conner's enlivened the event with their

> his historic victory. "We had a little first three months of competition. Conner's plan when he arrived apart in the end, nearly dismasting was to bumble along in mid-pack, his boat with an uncontrolled jibe sizing up the opposition while hid- in the fourth race against Conner,

was too late for anyone to match it. final race to end his chances. By November, that was exactly where he stood, before minor ballast changes left Stars & Stripes helpless in breezes below 12 knots.

and White Crusader, and nearly lost to lowly Azzurra. In December's round-robin, an gan, Conner authorized three major changes that turned his boat

from competitive to superior. New wines were fitted to the keel. a new, more efficient rudder was Canada II and Heart of America installed and the bottom was coated with an experimental grooved plastic film that Conner hoped would reduce drag by 4 to 6 percent.

None of the changes had been pretested on the boat, but when Stars & Stripes took the water again, she was a different creature.
"It's the old risk-to-reward ratio," said tactician Tom Whidden. the sailors all agreed, built too small

"No risk, no reward." Over the next 12 races, Conner

The strategy of holding back and improving a boat during the late

And what of the others? The New Zealanders, representunique liberglass boat and their

Politics and deception have al-

"We didn't show all our cards cocky, 25-year-old skipper, Chris right away," he said on the night of Dickson. He lost but once in the But it was Dickson who came ing his boat's true capability until it then hitting the last buoy in the

> Blackaller stirred things up with double-ruddered USA, which he described as "a new approach to the core physics of sailing.

> Blackaller spent half the summer trying to control his weird beast, which instead of a keel had a 40,000pound torpedo of lead suspended from a strut. The only way to keep USA from slipping sideways was to keep the two rudders synchronized. But the big seas off Fremantle, which yanked the front rudder half out of the water when the boat pitched, rendered it ineffective.

By the end of the regatta Blackaller was coming close gaining con-trol, and many think that in calmer water the USA approach, further refined, may still prove superior to conventional or winged keels.

The collapse of the season was America II, the New York Yacht Club's well-financed entry, which didn't survive to the semifinals.

America II was a design mistake. for the big winds and seas of the Conner barely won the first race Indian Ocean. How that mistake against Blackaller, coming from be- could happen after the syndicate any other campaign -- is a mystery.

As for the Australians, cupholder Alan Bond and his chief rival only once trailed after that mark. Kookaburra chairman Kevin Parry, were old business enemies. They bickered and feuded over rules and publicity while the cup slipped slowly from their grasp.

in the end, the cun was lost Fremantle is spinning back to stages of the regatta is new to the sleepy normalcy. The days grow cup, and probably reflects as big a shorter as fall approaches. And the contribution to the complex game wind is howling out on the Indian Ocean, the most exciting place ever

## SCOREBOARD

#### Basketball

Aligni V2. St. Leavence S7 Bales 78, Westeyon 64 Cally 91, Trichity 79 Carnell 85, Penn 74 Herriard 105, Brown 99 Harvard 105, Brown 99 Harvard 105, Clorkene 64 Proff 63, N.Y. Maritime 53

Sente Clore 70, Gaucaga 61 Visamine 75, Chicago 51, 64

Ballen 97, Rhode Island Col. IS Island I. St. New Homeshire 55 Bastola 81, Thomas 78 Ensem 90, Contractor 78 Chiby 73, Westevon 39 Speak 72, Princeton 56 Baston 74, Feirfield 70 (comp. susp. game) Verifican 74, Feirfield 70 (scheduled store)

Process 79, Codescricut 33 Tessels 79, St. Joseph's 69 Trindly 78, Sates 75 Wast Whalche 77, Penn St. 61 Williams 78, Connecticut Col. 72 Yales 106, Harvard 95

Combine 61, South Floride 52 Read 53, N.C.Artiminaton 57

Wichigo St. 90, 3, littrois 67 Xissing (Otdo) 20, Cotrol 30 SOUTHWRST Arkenson ft, Texas Tech 75

Tenne 7E, Service 74
Tenne-Articulus 95, N. Tenne St. SF FAIR WEETS AL. WEETS AL. AVERS SI. AV. Force 81. Son Diego St. 77 Boles St. St. Fother St. St. Fother St. St. Fother St. St. AS Youngil 73. Colorege St. St. Internal St. As Assume St. As St. Colorege St. St. Internal St. Assume St.

See Francisco El Coroca 73 See Francisco El Gontropa 73 Temp-El Pose 13, Srighom Young 11, OT UCLA 77, Colliernio 72

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onte	21	27	5	47	172	207	
St	NYTHE !	Divi	riga.				
notion	36	15	5	77	261	193	
inines ·	30	98	•	45	107	167	

Panceuver
Rustan (5), Lamleux (7); Lettay (7), Lettay (8), Lettay (7), Lettay Numeron 283—6

Kilmo (19), Yzermon (20), Probert (10),
Gallant 2 (27), Barr (4); Cacarelli (41),
Brooke (7), DePoimo (5), Payne (3), Shata as soal; Minastata (an Steion) 6-7-11—24; Defroit (an Takko) 13-7-14—24.

Govin (16). Anderson (17), Turgeon (7), Turgeon (8), Anderson (18): Goriner (23), Aurphy (18). Shets on gest: Hartford (on Mo-son, Pectura) 9-10-7—261 Washington (on

Necks) 6-10-6-26.

Mauleid (11), Small (12), Ellett (18), Ho chuk (25), Mill (2), MoCLean (26); Carson (22). Sheh en godf: Los Angeles (on Reddick) 7-16-5-22; Winnipes (on Melamon) 10-11-10-III.

## Skiing

**World Championships** conta. 2. Reswitho Steiner, Austria, 1:33.55. 2. Matrio Svet, Yugaslavia, 1:34.55. 4. Korin Buder, Austria, 1;34.66. 5. Bianco Fernandez-Ochon, Spain, 1;36.05. erzota Magore, Frence, 1:35.19.

7. Heiga Lazak, West Germany, 1:35.27. 8. Dareta Mopore, France, 1:35.41. 9. Eva Twordakens, U.S., 1:35.59. 10. Lesley Back, Britain, 1:35.90. MEN'S SLALOM 1. Frank Worndl, West Gern High Mader, Austria, 1:00.96-53.86— 2 Armin Bittner, West Germany, 1:00.59-9347-1:55.11

10. Fellx McGrotth, U.S. 1:01.58-5471-Tennis

6. Bojon Krizol, Yugoslavia, 1:00.84-54.81-

1:5549
7. Jeef Gasear, Switzerland, 1:00,92-54.64, and Jean-Daniel Deleze, Switzerland, 1:01.04-

U.S. Pro Indoor

u 70-1:51.78

(At Philodelphia) QUARTERFINALS Million Scriber, Czechoslovi Connoca, U.S., 4-3, 7-6 (7-9). tend, 4-2, 6-1

ngdorf, israel, def. Karel Novocek, htle, 6-7 (1-7), 6-3, 6-4, he. U.S., def. Poul Annacene, U.S., SEALIFINALS Mayotte del Sreiber, 62, 62. McEnne del Mondort 57, 62, 63. Katarina Witt

## Hockey

Quehec 1 2 2-5
A.Stostay (18), Goulet 2 (32), P.Stostay 2 (17); Housley (12), Tucker (16), Shatson goal:

**European Soccer** 

londers (on Vernon) 14-(on Smith) 11-13-11—35.

Juventus 3. Empoli 8 Napoli 3 Avellino 6

Verona D Rome 1

ENGLISH FIRST DIVISION Aston Villa & Queens Park Rangers Chariton & Manchester United 8 Newcostle 2, Luton 2 Southampton 1, Norwich 2 West Hom & Oxford 1

West Hom G. Oxford ? Peliats standings: Everton SJ; Arsonol SI; Liversool 48; Natthohum Forest 46; Luton. Narwich 43; Tottenhom 47; Wotford, West Hom. Coventry 37; Wimbledon 36; Shaffield Wadnesdov 34; Monchester United, Queens

Ascell 1. Torino 1 Alatonia 1, Milan 2

Como 0, Somederio 0 Florentino 4, Brescio 3 Transition

BASEBALL Assertion League
CLEVELAND—Stored Rick Demosey,
costcher, to a one-year contract.
AlinnESOTA—Signed Larry Blockwell

Nettonel Lagger POTTSBURGH—Signed R.J. Raymolds, cut-fielder, to a one-year contract. FOOTBALL: Matteast Feetbell League ATLANTA—Named Jimmy Roye wide re-calver cooch and Steve Crasby running book

Figure Skating EUROPEAN CHAMPION (A) Sorgieve, Yugoslavia) ICE DANCE: FINAL STANDIN



lange, Italy, 369
14 Henorote Gorne and Andrzel De Poland, 29.0 15. Andres Wesselmoon and Hendryk ichamberger, West Germany, 29.0 1. Katurino Witt, East Germany, 3.8 lec-

torad placings.

2. Kirp Ivanova, USSR, 12.

3. Anno Kondroshova, USSR, 56.

4. Claudio Leistner, West Germany, 68. s. Sugarne Becher, West Germony, 10.0. 6. Cloudia Villinger. Switzerland, 14.4. 7. Tamara Teolossy, Hungary, 14.2. 8. Natella Skrubnevskala, USSR, 14.8. 9, Ivelto Varalovo, Czechoslovok 18. Agnes Gosseth, France, 28.6. 11. Zeljko Cizmesilo, Yvsoslovic, 21.4. 12. Glap Fullos, Britolo, 22.4. ene Persion, Sweden, 17.4. une Pokorny, Austria, 27.8. ignie Schmid, Switzerland, 28.8.

13. Statemic Colescel and Par

## Ungilding the Lily

By William Safire

Dust" in later arrangments, languished for five years until the dawn of the swing

era when Benny Goodman and Tommy

Dorsey had hit versions released back-to-

back on the same Victor 78-rpm single.

In late 1940, Artie Shaw recorded his

classic version of 'Stardust,' featuring

Billy Butterfield's famous trumpet solo.

Its popularity coincided with Tommy

Dorsey's re-recorded version featuring

The song has had three other commer-

cially significant lives, each in a totally

different style. In 1957, it was a million-

selling rhythm-and-blues ballad hit for Billy Ward and the Dominoes. In the

same year, given a hiscious orchestral

arrangement by Gordon Jenkins, it was

the centerpiece of Nat (King) Cole's most

successful album, "Love Is the Thing."

Of all the recorded versions of "Stardust," Cole's is Parish's favorite. In 1978,

Willie Nelson revived "Stardnst" as a country-swing ballad, making it the title of a three-million selling album.

Parish estimates that over the years

"Stardust" may have earned him \$1 mil-

lion. "I could live on the royalities from

that one song, but not opulently. Except in rare instances, songwriting, in my era, was not an occupation that one expected

to bring great wealth."

Parish is somewhat rueful, though no

he wrote the lyrics for Duke Ellington's "Mood Indigo," which was published in

1931, Irving Mills (Jack Mills's brother and publishing partner) took credit.

Even with a steady flow of hits, Parish felt compelled to take a day job to help support his family. For 10 years, from 1935 to 1945, he worked as a county

clerk, swearing in witnesses at criminal

Filled with moonlight, stars, and often bathed in a mystically hushed aura of

twilight, Parish's lyrics stand among the most romantic verses ever applied to

"Though my life hasn't been romantic, I admit to being a sentimental soul," he reflected. "The poetry and music I've admired most — Swinburne, Shelley and

Byron and old songs like 'Silver Threads

Among the Gold,' and much of Stephen

Foster — are very sentimental. Even now, I'm entranced by old movies and

newsreels that show Paris at the turn of

"Growing up on the Lower East Side.

court trials.

the century.

popular melodies.

nger bitter, over the fact that although

Frank Sinatra and the Pied Pipers.

7 ASHINGTON - Reading WRichard Kluger's history of The New York Herald Tribune, "The Paper," called to mind Beach Conger, the Trib editor who read my copy in the late 1940s. I wrote of somebody gilding the lily, and he changed it to painting the lily, pointing to the line in Shake-speare's "King John": "To gild refined gold, to paint the lily."

In my first usage fight, I argued that "Everybody says gilding the tily — that's the expression," and that any copy-desk requirement that the idiomatic phrase be used strictly as originated was arrant pedantry. (The dour Conger destroyed my village by countering that arrant pedantry was a cliché.)

That misquoted metaphor, now so ingrained in the language as to be a nonsolecism, was consciously avoided a hundred times in my life. But what worries me now - and what should worry you, if you don't want to be afflicted with a similar klong (a word coined by Frank Mankiewicz to describe "a sudden rush of crud to the heart") in later life — is this: How many other citations that are not quite right are we carrying around in our heads?

Once more into the breach, my friends. But when it came to using that quotation from Shakespeare's "Henry V" in a piece making pre-dictions for the coming year, I had to stop and think: how do you spell that opening into which Henry was urging his troops — breech or breach?

Both words are rooted in the Indo-European word for break. A breech is a rump, so called because the anatomy's posterior, with its split between buttocks, appeared to the literal-minded to be broken. Accordingly, the breech of a gum is the back end, the part behind the barrel; a breech delivery is with the baby's backside first, and a cub reporter occasionally gets too big for his breeches, or trousers.

The Geneva Bible of 1560 became known to book collectors as the Breeches Bible because of its depiction of Adam and Eve in Genesis 3:7: "They sewed ligge leaves together, and made themselves breeches." Although the earlier Wyclif Bible used the same word with the variant spelling brechis, it was the Geneva Bible that gained the nickname; the later King James

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breeches. Modern dictionaries use, ally include breeches as well as the

variant britches.

A breach spelled with an a, is a break that causes a fissure, gap or opening — whether between wing of an army, between nations break ing relations, or between a lesping whale and the water it springs out of. (Ahab blanched when Moby Dick breached)

Breach in the sense of "break" is perhaps most (amiliar in the phrase breach of promise. Now usually re-served for reneging on an agree-ment to marry, this phrase originally applied to any broken promise.

The cartiest citation is found in Shakespeare's "The Consedy of Ergs rors": "Good Lord! you use this dalliance to excuse / Your breach of promise to the Porpentine." A more famous Shakespearean breach occurs in "Hamlet." In a passage well known for the phrase to the manner born (that's how Shakespeare spelled it, not manar, but perhaps he intended a pun) Hamlet comments on the local tra-dition of rowdy drinking that "to my mind, though I am native here! And to the manner born, it is a custom / More honourd in the breach than the observance." In other words, it is a habit better

breached, or broken, than kept. With this background, I con-cluded that the military word I had in mind was spelled into the breach," my friends.

But wait - did Shakespeare get it right? In this passage, fortunately, the First Polic (no longer to last word on what Shake wrote, but 'tis enough,' 'twill do) has
the word spelled properly: breach
However (klong), I now see the
line reads not "my friends" but

"dear friends," and worse --- (klong klong!) — the correct version goes, "Once more unto the breach, dan Who would have figured that

Will Shakespeare, in need of a syl-lable to balance a line, would have rejected the simple into and turned to a poetic variant of to, now archaic and written *unto?* 

Some arrant pedants would make a point of the way usage has worn down Shakespeare's phrace to "into the breach, my friends." but they would be painting the lily, as they like to say.

New York Times Service

N EW YORK — Fifty-eight years ago, when Mitchell Parish was handed Hoagy Carmichael's melody for "Stardust," he had no idea that their collaboration would result in a song that is still widely regarded as the quintessential The melody was given to me as a swing tune, but I heard it as a smooth romantic mood piece," the 86-year-old lyricist recalled recently in his Manhattan apartment. "The song wasn't an over-night hit, because it didn't fit into the 32bar format that orchestras liked at the time. Hoagy and I wrote other songs together, including 'Riverboat Shuffle' and 'One Morning in May.' In fact, many people, including Hoagy's mother, preferred 'One Morning in May' to 'Stardust,' which didn't really become a standard mail the local transfer. Sung with a wistful, penetrating clarity by the cabaret singer Michele Bautier in the new musical revue, "Stardust," Car-michael's and Parish's beautiful paean to romantic nostalgia is a high point of a

for Columbia Records. "As soon as I

heard the record, I caught the songwrit-

ing fever once and for all and decided I belonged on Tin Pan Alley — you couldn't tear me away from the profes-

known as a professional floor, a wide

area with benches where songwriters

could sit around and talk shop. A lyric

writer might tell a composer that he had a

title idea, and they would immediately find a cubbyhole and get down to work." Parish estimates he collaborated with

at least a hundred composers over the

years. "In many cases, I was given both a

tune and a title. Sometimes I would write

a 'dummy' lyric, with words that didn't

actual words. Occasionally a dummy lyr-

"In those days, a publisher had what is

sion after that

Mitchell Parish: A Lyricist's 'Stardust' Memories

The cast of "Stardust" (above), a revue that pays homage to the lyricist Mitchell Parish (right).

legacy.

In the show, six singer-actor-dancers perform more than 30 songs spanning four decades, all with lyrics by Parish Selected from a published output of more than 600 tunes, some of the more famous titles include "Sweet Lorraine" (1928), "Sophisticated Lady" (1933), "Stars Fell on Alabama" (1934), "Deep Purple" (1934), "Stairway to the Stars" (1935), "Moonlight Serenade" (1939), "Sleigh Ride" (1948), "Ruby" (1953) and "Vo-lare" (1958).

"Carolina Rolling Stone," the earliest song in the show, dates from 1921. The most recent is Domenico Modugno's "Ciao, Ciao Bambino" (1959), one of several European hits for which Parish wrote American lyrics.

show that celebrates Parish's songwriting

By Stephen Holden New York Times-Service

American pop standard.

dard until the 1940s."

In "Stardust," Parish's more recent songs, including several collaborations with Leroy Anderson, are performed as part of a fictitious television variety how, "Cavalcade of Hits," a spoof of "Your Hit Parade," that includes vintage

Pop songwriting, which today is geared overwhelmingly toward records rather than live performance, has changed drastically from the era when Parish, who was born in Lithuania and brought up on Manhattan's Lower East Side, began plying his trade.

When I was growing up, there were penny arcades with Edison discs all penny arcades with Edison discs all around the Lower East Side, in which you deposited a cent and put on earphones to

hear the newest songs. From reading the title pages I learned who wrote what.

"I started songwriting when I was around 17, producing what was called 'special material' for vaudeville acts. Usually it was additional lyrics for a song that was already popular, because in the days of vandeville, different versions of songs were written for specific performers and occasions. There would be one version for a boy and girl, another for two men, and even ethnic versions."

Parish's first steady employer was the publisher Jack Mills, who signed him to his company, Mills Music, for \$12 a week to write comedy lyrics with punch lines

by day and to be a song plugger by night.
"My job as a song plugger would be to
go to vaudeville houses where I would try to sell special material to the top acts," Parish remembered. "A ticket to the second balcony at a theater on 14th Street cost 15 cents. I would go up and catch the act and afterward tip the stage doorman a nickel cigar to let me backstage. We also used the special material to lure the vaudeville stars to the publisher's office where he would try to sell the ballads, which were considered to be the money

ic ends up being the final lyric. Irving Caesar's Tea for Two' is a famous exam-"Once I had a title. I would take it

home, walk around with it for awhile to let it percolate and then sit down to write. The actual writing time was usually a half hour to an hour, I didn't believe in laboring over a lyric too much, because the song would sound too worked over." Parish found working with a predeter-mined title to be a nuisance, albeit one that sometimes yielded artistic dividends.

In the lyrics of both "Stardust," and "Sophisticated Lady," the song titles aren't repeated in the catch phrases of the chorus but occur almost incidentally in the narrative, helping to sustain the smooth natural flow of imagery. "Stardust" is especially striking in the way the verse seems to begin in the middle of a thought: ". . . And now the purple dust of twilight time, steals across the meadows of my heart."

Carmichael wrote and recorded the melody for "Stardust" in 1927 as a jazz instrumental heavily influenced by Bix Beiderbecke. Parish wrote the lyric in 1929, and it became a hit the following year in a recording by isham Jones, the tenor saxophonist, bandleader and song-writer ("I'll See You in My Dreams," "It Had to Be You"). The following year mean anything, in order to get the rhyth-mic flow. Then I would come up with the Bing Crosby and Louis Armstrong had

we didn't see stars. I don't want to psy-choanalyze myself, but I sometimes think that all those song lyrics about the moon and stars represented an escape. They

expressed a longing for what I couldn't "Stardust," often changed to "Star

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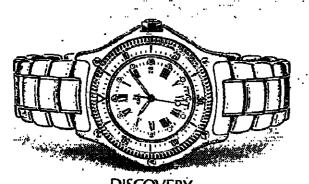
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